

January 15, 2004

MUR #

5403

Lawrence Norton
General Counsel
Federal Election Commission
999 E Street, NW
Washington, DC 20463

Dear Mr. Norton:

Enclosed for your information is a complaint we have filed today with the Federal Election Commission against America Coming Together, the Leadership Forum,

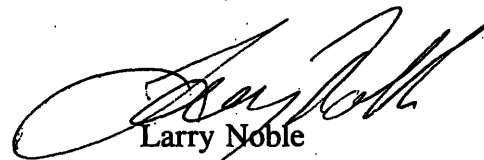
Sincerely,



Fred Wertheimer
President
Democracy 21



Glen Shor
FEC Program Director
Campaign Legal Center



Larry Noble
Executive Director
Center for Responsive Politics

RECEIVED
FEDERAL ELECTION
COMMISSION
OFFICE OF GENERAL
COUNSEL

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BEFORE THE
FEDERAL ELECTION COMMISSION

Democracy 21
1825 I Street, NW, Suite 400
Washington, DC 20006
202-429-2008

Campaign Legal Center
1101 Connecticut Avenue, NW, Suite 330
Washington, DC 20036
202-736-2200

Center for Responsive Politics
1101 14th Street, NW, Suite 1030
Washington, DC 20005
202-857-0044

v.

MUR No. 5403

America Coming Together
888 16th Street, NW
Washington, DC 20006
202-974-8360

The Leadership Forum
4123 South 36th Street
Arlington, Virginia 22206

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OFFICE OF GENERAL
COUNSEL

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COMPLAINT

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1. In March, 2002, Congress enacted the Bipartisan Campaign Reform Act of 2002 (BCRA) in order to stop the injection of soft money into federal elections. The relevant provisions of BCRA were upheld by the Supreme Court in *McConnell v. FEC*, 540 U.S. ____ (slip op. December 10, 2003).

2. Since the enactment of BCRA, a number of party and political operatives, and former soft money donors, have been engaged in efforts to circumvent BCRA by planning and implementing new schemes to use soft money to influence the 2004 presidential and congressional elections. These schemes, for the most part, involve the use of so-called "section 527 groups" – entities registered as "political organizations" under section 527 of the Internal Revenue Code, 26 U.S.C. § 527 – as vehicles to raise and spend soft money to influence the 2004 federal elections. They were, as one published report noted, "created after McCain-Feingold to circumvent the ban on soft money."¹

3. In pursuing these schemes, these section 527 groups are attempting to replace the political parties as new conduits for injecting soft money into federal campaigns. As one published report has noted, several pro-Democratic section 527 groups have "stepped in this year to attempt to fill the vacuum created by the soft money ban. These groups are accepting large contributions from labor unions that the parties are prohibited from accepting....In the process [these groups] are taking over many of the functions traditionally associated with the parties, including voter registration, canvassing [and] turnout."² Another report states that two of the respondents here, ACT _____ are engaged in "an outreach to urge individuals,

¹ C. Hayes, "Door by Door: Progressives hit the streets in massive voter outreach," *In These Times* (Jan. 5, 2004). (Exhibit A).

² T. Edsall, "Democratic 'Shadow' Groups Face Scrutiny," *The Washington Post* (Dec. 14, 2003). (Exhibit B).

unions and corporations that used to give their millions to the Democratic National Committee to send their largess instead to the so-called 527 committees....”³ Another report similarly noted that “a growing roster” of section 527 groups is “gathering millions of dollars of unregulated soft money for the 2004 election, to be deployed in much the same way that the party used to use soft money.”⁴ And a fourth report called these pro-Democratic section 527 groups “the heart of the big-money movement to unseat George W. Bush...These groups are, in effect, taking over the function of the Democratic National Committee, now barred by law, that once took in the much-vilified and unrestrained contributions called soft money.”⁵

4. These schemes to inject soft money into the 2004 federal elections are illegal. The Supreme Court in *McConnell* took specific note of “the hard lesson of circumvention” that is taught “by the entire history of campaign finance regulation.” Slip op. at 57. The deployment of “section 527 groups” as the new vehicle for using soft money to conduct partisan activities to influence federal elections is simply the latest chapter in the long history of efforts to circumvent the federal campaign finance laws.

5. The section 527 groups named as respondents in this complaint – including their purported “nonfederal” accounts that have been established to raise and spend soft money to influence federal elections – are in fact federal “political committees.” These section 527 groups are entities which have a “major purpose,” indeed an overriding purpose, to influence candidate elections, and more specifically, federal candidate elections, and which have spent, or are planning

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⁴ L. Feldmann, “Now it’s thunder from the left, too, in the ad war,” *The Christian Science Monitor* (Dec. 5, 2003). (Exhibit D).

⁵ J. Birnbaum, “The New Soft Money,” *Fortune* (Nov. 10, 2003). (Exhibit E).

to spend, millions of dollars for the announced purpose of influencing the 2004 federal elections. These "political committees" are therefore required to register under the federal campaign finance laws, and are subject to the federal contribution limits and source prohibitions on the funds they receive. Accordingly, these "political committees" may not receive more than \$5,000 per year from an individual donor, and may not receive any union or corporate treasury funds. 2 U.S.C. §§ 441a(a)(1)(C), 441b(a). These limits and prohibitions apply to all "political committees," including those that engage in independent spending. 11 C.F.R. § 110.1(n).

6. As noted above, this is true not just for any "federal account" established by these respondents, but also for the purportedly "nonfederal," or soft money, accounts established by these groups. These purportedly "nonfederal" accounts themselves meet the legal definition of a federal "political committee," since their "major purpose," in fact, their overriding purpose, is to spend money to influence federal elections.

7. Further, at least one of these groups, America Coming Together, is operating, or intending to operate, as a conduit for indirect spending by unions of their treasury funds on partisan voter mobilization activities aimed at the general public to influence the 2004 presidential election. Since the law prohibits both the direct and indirect spending of union (and corporate) treasury funds in connection with a federal election, including spending on partisan voter mobilization efforts aimed at the general public, the use of any "section 527 group" as a conduit for such indirect spending is illegal.

8. The Supreme Court in *McConnell* took specific – and repeated – note of the central role of the Federal Election Commission in facilitating past efforts to circumvent the federal campaign finance laws. The massive flow of soft money through the political parties into federal elections was made possible by the Commission's allocation rules, which the Court described as

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“FEC regulations [that] permitted more than Congress, in enacting FECA, had ever intended.”

Slip op. at 33, n.44. Indeed, the Court noted that the existing Federal Election Campaign Act (FECA), which had been upheld in *Buckley*, “was subverted by the creation of the FEC’s allocation regime” which allowed the parties “to use vast amounts of soft money in their efforts to elect federal candidates.” Slip op. at 32-33 (emphasis added). The Court flatly stated that the Commission’s rules “invited widespread circumvention” of the law. Slip. op. at 35.

9. Having been rebuked by the Supreme Court for its flawed administration of the law that allowed the use of soft money in federal elections, it is critically important that the Commission not repeat this history here. The Commission must take steps to ensure that it does not once again invite “widespread circumvention” of the law by licensing the injection of massive amounts of soft money into federal campaigns, this time through section 527 groups whose major, indeed overriding, purpose is to influence federal elections.

10. The Commission has the authority to take enforcement action based on a complaint where it finds reason to believe that a person “has committed, or is about to commit,” a violation of the law. 2 U.S.C. §§ 437g(a)(2), 437g(a)(4)(A)(i), 437g(a)(6)(A); *see also* 11 C.F.R. 111.4(a) (“Any person who believes that a violation...has occurred or is about to occur may file a complaint...” (emphasis added)). Based on published reports, the “section 527 groups” named as respondents in this complaint have either committed or are “about to commit” massive violations of the law by spending millions, or tens of millions, of dollars of soft money – including union and corporate treasury funds, and large individual contributions – to influence the 2004 presidential and congressional elections. Respondents are doing so without registering their purportedly “nonfederal” accounts as federal political committees and complying with the rules applicable to such political committees, and in the case of ACT, by impermissibly acting as conduits for

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funneling illegal union treasury funds into federal elections. As the 2004 presidential and congressional campaigns begin in earnest, it is vitally important that the Commission act effectively and expeditiously to prevent the massive violations of the law threatened by the widely publicized activities of these section 527 groups.

America Coming Together

11. America Coming Together ("ACT") was established on July 17, 2003 as a "political organization" under section 527 of the Internal Revenue Code, 26 U.S.C. § 527.

12. ACT has made clear that its major, indeed overriding, purpose is to defeat President George W. Bush in the 2004 presidential election. In a press release issued on August 8, 2003, ACT president Ellen Malcolm states, "President Bush is taking this country in the wrong direction. ACT's creation is further evidence that mainstream America is coming together in response to President Bush's extremism..."⁶ According to a report in *The Washington Post* about the formation of ACT, Malcolm said that ACT will conduct "a massive get-out-the-vote operation that we think will defeat George W. Bush in 2004."⁷ A story in *The Washington Post* said that ACT (and other similarly situated section 527 organizations) "are explicitly opposed to President Bush."⁸

13. According to its release, ACT is launching "the largest field operation this country has ever seen." A press report quotes Steve Rosenthal, one of ACT's founders and its chief

⁶ A copy of this release is attached as Exhibit F. While this release also refers to electing "progressives officials at every level," statements by ACT's organizers and donors make clear that the overriding purpose of ACT is to defeat President Bush.

⁷ T. Edsall, "Liberals Form Fund to Defeat President; Aim is to Spend \$75 Million for 2004," *The Washington Post* (Aug. 8, 2003). (Exhibit G).

⁸ T. Edsall, Dec. 14, 2003, *supra*. (Exhibit B).

executive officer, as stating that ACT will hire "hundreds of organizers, state political directors and others..."⁹ Another press report states that ACT "already has get-out-the-vote specialists canvassing homes in Ohio to identify the most virulent opponents of" President Bush.¹⁰ The object of this effort, according to the ACT director in Ohio, "is to register 200,000 new voters in all 88 counties and target each of them with the kind of information that will propel them to the polls on Election Day."¹¹

14. George Soros, a key donor who pledged \$10 million in soft money to ACT as "seed money," has made clear that this money is for the purpose of defeating President Bush. Mr. Soros, referring expressly to ACT, explained in an op-ed column in *The Washington Post* why he and others are, in his words, "contributing millions of dollars to grass-roots organizations engaged in the 2004 presidential election."¹² He said that he and the other donors "are deeply concerned with the direction in which the Bush administration is taking the United States and the world."¹³ Another article describes Soros meeting "with half a dozen top Democratic political strategists" in an effort "to try to figure out how he could help bring down [President] Bush...."¹⁴ Following this meeting, "he agreed to lead several other major donors in what Democrats hope will be \$75 million in spending on a grass-roots get-out-the-vote effort in 17 battleground states. Called

⁹ T. Edsall, Aug. 8, 2003, *supra*. (Exhibit G).

¹⁰ J. Birnbaum, *supra*. (Exhibit E).

¹¹ *Id.*

¹² G. Soros, "Why I Gave," *The Washington Post* (Dec. 5, 2003) (emphasis added). (Exhibit H).

¹³ *Id.*

¹⁴ M. Gimein, "George Soros Is Mad As Hell," *Fortune* (Oct. 27, 2003). (Exhibit I).

America Coming Together, it's directed by top Democratic fundraisers Steve Rosenthal and Ellen Malcolm. That makes Soros a key player in the huge 'soft money' push that the Democrats...hope will be one of the keys to matching Bush's formidable fundraising apparatus in the 2004 election."¹⁵ According to a report in *The Washington Post*, Soros "has a new project: defeating President Bush. 'It is the central focus of my life,' Soros said, his blue eyes settled on an unseen target. The 2004 presidential race, he said in an interview, is 'a matter of life and death.'"¹⁶ The same report provides an additional explanation from Soros: "'America, under Bush, is a danger to the world,' Soros said. Then he smiled: 'And I'm willing to put my money where my mouth is.'"¹⁷ In an interview on public television, Soros also made clear his purpose in giving \$10 million to

ACT:

BRANCACCIO: All this has led Soros to conclude the most important thing he can do is stop George Bush.

SOROS: I think he's a man of good intentions. I don't doubt it. But I think he's leading us in the wrong direction.

BRANCACCIO: So just last month, Soros put his money where his mouth is one more time. He gave \$10 million to America Coming Together, a liberal coalition pledged to defeat the President in 2004.

SOROS: By putting up \$10 million and getting other people engaged, there's enough there to get the show going. In other words, to get the organizing going. Half of it still needs funding.

BRANCACCIO: What is the show? It's a get out the vote effort.

SOROS: Get out the vote and get people engaged on issues. This is the same kind of grassroots organizing that we did or we helped in

¹⁵ *Id.*

¹⁶ L. Blumenfeld, "Soros' Deep Pockets vs. Bush," *The Washington Post* (Nov. 11, 2003). (Exhibit J).

¹⁷ *Id.*

Slovakia when Mechar was defeated, in Croatia when Tudjman was defeated and in Yugoslavia when Milosevic was defeated.¹⁸

15. A report in *The Seattle Times* states that two other major donors to ACT from the Seattle area said that ACT "will present a cogent, focused message to help defeat [President] Bush no matter who the Democratic nominee is."¹⁹

16. The organizers of ACT, and its executive committee members, have close ties to the Democratic Party. They include several prominent labor leaders, such as ACT chief executive officer Steve Rosenthal, former political director of the AFL-CIO, Andy Stern, president of the Service Employees International Union (SEIU), and Gina Glantz, assistant to the president of SEIU.²⁰ (Glantz has subsequently joined the campaign of Democrat Howard Dean as a "senior adviser."²¹) In his capacity as political director of the AFL-CIO, Rosenthal worked closely for many years with Democratic candidates for federal office and Democratic party officials. Another ACT organizer, ACT president Ellen Malcolm, is also the head of Emily's List, which has worked for many years to elect women Democratic candidates to federal office by raising funds for them. Minyon Moore, another member of ACT's executive committee, is a former White House political director under President Clinton. Cecile Richards, another member of ACT's executive

¹⁸ "Transcript – David Brancaccio interviews George Soros," *NOW with Bill Moyers* (Sept. 12, 2003). (Exhibit K).

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²⁰ See ACT press release, *supra*. (Exhibit F).

²¹ L. Sidoti, "Dean hires Bradley manager, union assistant" *Associated Press* (Nov. 21, 2003). (Exhibit M).

committee, is the former deputy chief of staff to Rep. Nancy Pelosi (D-CA), the current Democratic leader in the House of Representatives.

17. ACT's headquarters is currently in the same building in downtown Washington, DC as the temporary headquarters of the Democratic National Committee. According to press reports, ACT is located on the fourth floor of this building, while the DNC is located on the seventh and eighth floors of the same building.²²

18. The press release issued by ACT states that ACT's goal is to raise \$75 million to "create and coordinate massive registration and get-out-the-vote efforts." According to press reports, ACT, to date, has raised about \$30 million of its proposed budget. According to *The Washington Post*, ACT has received \$8 million from labor unions, including SEIU, an additional \$10 million from George Soros, and a total of \$12 million from six other "philanthropists."²³ According to a story in *Roll Call*, ACT "is expected to be the primary conduit for huge soft-money donations from the labor movement..." in addition to the funds already pledged by SEIU.²⁴

19. The evidence set forth above makes clear that the overriding purpose of ACT is to engage in partisan voter mobilization activities aimed at the general public for the purpose of promoting or supporting the election of the Democratic nominee for President and attacking or opposing the reelection of President Bush. The evidence also makes clear that the soft money being given to ACT and put into purportedly "nonfederal" accounts is being given and will be spent for the purpose of influencing the 2004 presidential election.

²² "Soros, Lewis Push Campaign Law Limits to Counter Bush," *Bloomberg News Wire* (October 28, 2003). (Exhibit N).

²³ T. Edsall, Aug. 8, 2003, *supra*. (Exhibit G).

²⁴ C. Cillizza, "Soros, Labor Pooling Efforts," *Roll Call* (Sept. 18, 2003). (Exhibit O).

Pages 11-13 redacted.

The Leadership Forum

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27. On October 23, 2002, a week before the effective date of the BCRA, Rep. Tom Davis, chairman of the National Republican Congressional Committee (NRCC), was quoted as saying, "We want to make sure there are adequate conduits for our supporters to help get our message out, so we can compete with what they're doing on the other side...We're having stuff set up right now. We're making sure there are appropriate routes so that issue advocacy continues."⁴¹ The term "issue advocacy" in this context means the practice of running non-"express advocacy" candidate-specific broadcast ads supporting Republican House candidates or attacking Democratic House candidates, and paid for by soft money. Prior to BCRA, the NRCC spent millions of dollars of soft money on such candidate-specific ads. *The Washington Post* earlier had reported that

⁴¹ A. Bolton, "Both Parties Race To Set Up New Soft-Money Mechanisms," *The Hill* (Oct. 23, 2002) (emphasis added). (Exhibit R).

Republican Party operatives, including former Representative and NRCC chairman Bill Paxon, were working to "build an organization to back GOP candidates."⁴²

28. On October 28, 2002, the Leadership Forum was established as a "political organization" under section 527 of the Internal Revenue Code. 26 U.S.C. § 527.

29. The major, indeed overriding, purpose of the Leadership Forum is to run broadcast ads and conduct voter mobilization activities designed to elect Republican candidates to the House of Representatives, and to defeat Democratic House candidates. In this regard, the Forum was set up to continue the past role of the NRCC in spending soft money to elect Republican candidates in House races. The NRCC and its representatives, which established the Leadership Forum, had spent millions of dollars of soft money on such ads and voter mobilization activities in past elections.

30. The Leadership Forum is headed by several individuals with close ties to House Republican leaders. Susan Hirschmann is the director of the Forum and was, until August, 2002, the chief of staff to Rep. Tom DeLay. Former Rep. Bill Paxon is the vice president of the forum and is the former head of the NRCC. Julie Wadler, the former deputy finance director of the NRCC, is the secretary-treasurer of the Forum.

31. The NRCC transferred \$1 million in non-federal funds to the Forum shortly before November 5, 2002.⁴³ The \$1 million soft money transfer was made from the NRCC building fund account. According to published reports, the transfer was expressly approved by several Republican members of the House, including Rep. Tom Reynolds (who is the current chairman of

⁴² T. Edsall, "New Ways to Harness Soft Money in Works; Political Parties Poised to Take Huge Donations," *The Washington Post* (Aug. 25, 2002). (Exhibit S).

⁴³ MUR 5338, First General Counsel's Report (March 27, 2003) at 9; J. Bresnahan, "NRCC Quietly Gives \$1 Million to New 527," *Roll Call* (Nov. 7, 2002). (Exhibit T).

the NRCC).⁴⁴ These funds were returned by the Leadership Forum to the NRCC after legal questions were raised about this transfer.⁴⁵

32. *The Washington Post* described the Leadership Forum as “a new GOP committee to channel soft money to House campaigns....”⁴⁶ *The New York Times* reported that Scott Reed, a Republican strategist, said that the Leadership Forum would be “the House go-to operation.”⁴⁷ According to this report, Reed added, “This is the way politics and campaigns will be run under the new law.”⁴⁸ A story in *Roll Call* said the Leadership Forum “will raise funds to defend GOP lawmakers with issue ads during the 2004 elections.”⁴⁹ A more recent story in *Roll Call* describes the Leadership Forum as “aimed at raising soft money for House campaigns.”⁵⁰ Another recent *Roll Call* story says that the Leadership Forum “is seeking corporate contributions to support GOP candidates for Congress.”⁵¹

⁴⁴ S. Crabtree, “GOP Leadership Races Heating Up,” *Roll Call* (Nov. 11, 2002). (Exhibit U).

⁴⁵ See First General Counsel’s Report, MUR 5338 (March 27, 2003) at 9-10.

⁴⁶ T. Edsall, “Campaign Money Finds New Conduits As Law Takes Effect,” *The Washington Post* (Nov. 5, 2002) (Exhibit V).

⁴⁷ D. Van Natta, “Parties Create Ways to Avoid Soft Money Ban,” *The New York Times* (Nov. 2, 2002). (Exhibit W).

⁴⁸ *Id.*

⁴⁹ J. Bresnahan, “GOP Gets Generous With Soft Money,” *Roll Call* (Nov. 14, 2002). (Exhibit X).

⁵⁰ C. Cillizza, “GOP Group Joins Soft-Money Fray,” *Roll Call* (Nov. 24, 2003). (Exhibit Y).

⁵¹ B. Mullins, “Amazon Putting Campaign Cash a Click Away,” *Roll Call* (Jan. 12, 2004). (Exhibit Z).

33. The Leadership Forum has recently intensified its efforts for the 2004 elections. A recent story in *National Journal* said that the Leadership Forum “is planning issue-advocacy efforts to help House candidates in key races.”⁵² *Roll Call* has reported that the Leadership Forum has been “aggressively raising money over the past several months”⁵³ and is “now actively fundraising.”⁵⁴

34. The evidence set forth above makes clear that the overriding purpose of the Leadership Forum is to sponsor broadcast ads for the purpose of promoting or supporting the election of particular House Republican candidates or attacking or opposing the election of particular House Democratic candidates and/or to engage in partisan voter mobilization activities aimed at the general public. The evidence also makes clear that the soft money being given to the Leadership Forum and put into purportedly “nonfederal” accounts is being given and will be spent for the purpose of influencing the 2004 congressional elections.

Count 1
(Political Committee Status)

35. The section 527 group respondents – including the purportedly “nonfederal” accounts maintained by these respondents – are “political committees” under the federal campaign finance law. They are entities which (1) have a “major purpose” to influence candidate elections, and in particular, federal candidate elections, and (2) receive contributions or make expenditures of more than \$1,000 in a calendar year. Because these respondents meet both parts of this test, they are federal “political committees,” and are accordingly subject to the contribution limits, source

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⁵³ C. Cillizza, “Democratic Senate Majority Fund Slows Activity As Group Awaits Decision in BCRA Court Case,” *Roll Call* (Sept. 15, 2003). (Exhibit AA).

⁵⁴ C. Cillizza, “Leaders Fill PAC Coffers,” *Roll Call* (Oct. 27, 2003). (Exhibit BB).

prohibitions and reporting requirements that apply to all federal political committees. Because they have not complied with these rules applicable to federal political committees, they have been, and continue to be, in violation of the law.

36. Section 431(4) of Title 2 defines the term "political committee" to mean "any committee, club, association or other group of persons which receives contributions aggregating in excess of \$1,000 during a calendar year or which makes expenditures aggregating in excess of \$1,000 during a calendar year." 2 U.S.C. § 431(4); *see also* 11 C.F.R. § 100.5(a). A "contribution," in turn, is defined as "any gift, subscription, loan, advance, or deposit of money or anything of value made by any person for the purpose of influencing any election for Federal office...." 2 U.S.C. § 431(8)(A). Similarly, an "expenditure" is defined as "any purchase, payment, distribution, loan, advance, deposit or gift of money or anything of value made by any person for the purpose of influencing any election for Federal office..." 2 U.S.C. § 431(9)(A).

37. Any entity which meets the definition of a "political committee" must file a "statement of organization" with the Federal Election Commission, 2 U.S.C. § 433, and periodic disclosure reports of its receipts and disbursements. 2 U.S.C. § 434. In addition, a "political committee" is subject to contribution limits, 2 U.S.C. § 441a(a)(1), §441a(a)(2), and source prohibitions, 2 U.S.C. § 441b(a), on the contributions it may receive and make. 2 U.S.C. § 441a(f). These rules apply even if the political committee is engaged only in independent spending. 11 C.F.R. § 110.1(n).

38. In *Buckley v. Valeo*, 424 U.S. 1 (1976), the Supreme Court construed the term "political committee" to "only encompass organizations that are under the control of a candidate or the major purpose of which is the nomination or election of a candidate." 424 U.S. at 79 (emphasis added). Again, in *FEC v. Massachusetts Citizens for Life*, 479 U.S. 238 (1986), the

Court invoked the “major purpose” test and noted that if a group’s independent spending activities “become so extensive that the organization’s major purpose may be regarded as campaign activity, the corporation would be classified as a political committee.” 479 U.S. at 262 (emphasis added). In that instance, the Court continued, it would become subject to the “obligations and restrictions applicable to those groups whose primary objective is to influence political campaigns.” *Id.* (emphasis added). The Court in *McConnell* restated the “major purpose” test for political committee status as iterated in *Buckley*. Slip op. at 62, n.64.

39. In *FEC v. GOPAC*, 917 F.Supp. 851 (D.D.C. 1996), a single federal district court further narrowed the “major purpose” test to encompass not just the nomination or election of any candidate, but only “the nomination or election of a particular candidate or candidates for federal office.” 917 F.Supp. at 859. Thus, the court said that “an organization is a ‘political committee’ under the Act if it received and/or expended \$1,000 or more and had as its major purpose the election of a particular candidate or candidates for federal office.” *Id.* at 862. The court further said that an organization’s purpose “may be evidenced by its public statements of its purpose or by other means, such as its expenditures in cash or in kind to or for the benefit of a particular candidate or candidates.” *Id.*

40. The district court in *GOPAC* misinterpreted the law and incorrectly narrowed the test for a “political committee” as set forth by the Supreme Court in *Buckley*. The Commission, however, failed to appeal the district court decision in *GOPAC*. Nonetheless, even under the approach adopted in *GOPAC*, the respondents here are “political committees” and are required to file as such under federal law.

41. There is a two prong test for “political committee” status under the federal campaign finance laws: (1) whether an entity or other group of persons has a “major purpose” of

influencing the “nomination or election of a candidate,” as stated by *Buckley*, or of influencing the “election of a particular candidate or candidates for federal office,” as stated by *GOPAC*, and if so, (2) whether the entity or other group of persons receives “contributions” or makes “expenditures” of at least \$1,000 or more in a calendar year.

42. Prong 1: The “major purpose” test. The section 527 respondent groups – including the “nonfederal” accounts they have established – all have a “major purpose” of influencing the election of a candidate, under *Buckley*, or of a “particular candidate or candidates for federal office,” under *GOPAC*. The respondent groups thus meet the first prong of the test for “political committee” status, under either *Buckley* or *GOPAC*.

43. First, the respondents are all organized under section 527 of the Internal Revenue Code, 26 U.S.C. § 527, and are thus by definition “political organizations” that are operated “primarily” for the purpose of influencing candidate elections. Section 527 of the IRC provides tax exempt treatment for “exempt function” income received by any “political organization.” The statute defines “political organization” to mean a “party, committee, association, fund, or other organization (whether or not incorporated) organized and operated primarily for the purpose of directly or indirectly accepting contributions or making expenditures, or both, for an exempt function.” 26 U.S.C. § 527(e)(1) (emphasis added). An “exempt function” is defined to mean the “function of influencing or attempting to influence the selection, nomination, election or appointment of any individual to any Federal, State, or local public office or office in a political organization, or the election of Presidential or Vice Presidential electors...” 26 U.S.C. § 527(e)(2) (emphasis added). The Supreme Court said in *McConnell*, “Section 527 ‘political organizations’ are, unlike § 501(c) groups, organized for the express purpose of engaging in partisan political activity.” Slip op. at 66, n.67. The Court noted that they “by definition engage in partisan political

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activity.” *Id.* at 69. A “political organization” as defined in section 527 must register as such with the Secretary of the Treasury, and must file periodic disclosure reports with the Secretary as required by section 527(j). All of the respondents in this matter have registered with the Secretary as “political organizations” under section 527.⁵⁵

44. Thus, by definition, any entity that registers with the Secretary as a “political organization” under section 527 is “organized and operated primarily” for the purpose of “influencing or attempting to influence the selection, nomination, election or appointment of” an individual to public office. The Commission has frequently cited the section 527 standard as identical to the “major purpose” prong of the test for “political committee” status. *See e.g.*, Advisory Opinions 1996-13, 1996-3, 1995-11. Accordingly, any group that chooses to register as a “section 527 group” – including each of the section 527 group respondents named in this complaint -- is by definition an entity “the major purpose of which is the nomination or election of a candidate...” Under the “major purpose” standard set forth in *Buckley*, this is sufficient to meet the first prong of the “political committee” test.

45. But even if that standard is further narrowed by *GOPAC*, each of the respondent section 527 groups in this matter has a “major purpose” of influencing the nomination or election of a “particular candidate or candidates for federal office...” 917 F.Supp. at 859. Multiple published reports, as discussed above, plainly indicate that ACT each have as their “major purpose” the defeat of President Bush. The Leadership Forum has the “major purpose” of supporting the election of specific Republican candidates to the House of Representatives or defeating specific Democratic candidates to the House. All three groups have made clear that they intend to spend millions or tens of millions of dollars on partisan voter

⁵⁵ The Form 8871 registrations filed with the Internal Revenue Service by each of the respondents are attached as Exhibits CC, DD

mobilization activity aimed at the general public and/or broadcast ads that are intended to influence the 2004 presidential and congressional elections.

In the case of ACT, its leaders have made unambiguously clear that their overriding goal is to defeat President Bush and that they will engage in voter mobilization activities to accomplish this objective. In the case of the Leadership Forum, its leaders and Republican House members have made clear that their overriding goal is to help elect Republican candidates to the House and/or defeat Democratic candidates. In all three cases, the section 527 group respondents have a "major purpose" to support or oppose particular federal candidates, thus meeting even the most rigorous definition under *GOPAC* of the first prong of the test for "political committee."

46. Prong 2: "Expenditures" of \$1,000. The second prong of the definition of "political committee" is met if an entity which meets the "major purpose" test also receives "contributions" or makes "expenditures" aggregating in excess of \$1,000 in a calendar year. Both "contributions" and "expenditures" are defined to mean funds received or disbursements made "for the purpose of influencing" any federal election. 2 U.S.C. § 431(8), (9).

47. This second prong test of whether a group has made \$1,000 in "expenditures" is not limited by the "express advocacy" standard when applied to a section 527 group, such as all of the respondents here. Rather, the test is the statutory standard of whether disbursements have been made "for the purpose of influencing" any federal election, regardless of whether the disbursements were for any "express advocacy" communication. The Supreme Court made clear in *Buckley* that the "express advocacy" standard does not apply to an entity, like a section 527 group, which has a major purpose to influence candidate elections and is thus not subject to

concerns of vagueness in drawing a line between issue discussion and electioneering activities.

Groups such as section 527 "political organizations" are formed for the principal purpose of influencing candidate elections and, as explained by the Court in *Buckley*, their expenditures "can be assumed to fall within the core area sought to be addressed by Congress. They are, by definition, campaign related." *Id.* The Court affirmed this position in *McConnell*. Slip op. at 62, n.64. Thus, the "express advocacy" test is not relevant to the question of whether a section 527 organization is spending money to influence the election of federal candidates.

48. The respondent section 527 groups – including all of the federal and "nonfederal" accounts they have established – have all made, or are imminently planning to make, "expenditures" in amounts far in excess of the \$1,000 threshold amount of the second prong of the test for "political committee" status. Each respondent has stated that it has made or intends to make large expenditures for the purpose of defeating President Bush, or (in the case of the Leadership Forum) supporting the election of Republican candidates for the House.

49. Some of these expenditures may be made for partisan voter mobilization activities aimed at the general public, and some may be made for broadcast advertisements that refer to President Bush or other federal candidates. In all cases, these disbursements will be made "for the purpose of influencing" federal elections, and thus constitute "expenditures" under the law.

50. Partisan voter mobilization activity is clearly intended to influence federal elections. The Supreme Court in *McConnell* said, "Common sense dictates...that a party's efforts to register voters sympathetic to that party directly assist the party's candidates for federal office. It is equally clear that federal candidates reap substantial rewards from any efforts that increase the number of like-minded registered voters who actually go to the polls." Slip op. at 59. The Court further noted that "voter registration, voter identification, GOTV and generic campaign activity all

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confer substantial benefits on federal candidates....” Slip op. at 60. Indeed, to qualify as an “exempt function” under section 527 of the Internal Revenue Code, a voter mobilization expenditure by a section 527 group must be partisan in nature. *E.g.* IRS Priv.Ltr.Rul. 1999-25-051 (Mar. 29, 1999). Thus, this partisan voter mobilization activity to be conducted by one or more of the respondents is, by definition, “for the purpose of influencing” a federal election.

51. Broadcast ads run by a section 527 “political organization” that promote, support, attack or oppose federal candidates are also clearly for the purpose of influencing a federal election, even if such ads do not contain “express advocacy” or are not “electioneering communications,” as defined in 2 U.S.C. § 434(f)(3)(A)(i). Because the “express advocacy” test does not apply to section 527 groups, and thus does not limit the statutory definition of “expenditures” made by such groups, all funds spent by the respondent section 527 groups to promote or support a Democratic nominee or attack or oppose President Bush, or various congressional candidates, are “expenditures” because they are being made “for the purpose of influencing” the 2004 presidential and congressional elections.

52. Two of the respondents – Leadership Forum – to date have not registered any federal account with the Commission. These two groups are presumably intending to make all of their disbursements regarding federal candidates from a purportedly “nonfederal” account funded with money raised for the purpose of influencing federal elections. For the reasons stated above, these purportedly “nonfederal” accounts are in fact federal “political committees” and should be registered as such with the Commission and should comply with federal contribution limits, source prohibitions and reporting requirements.

53. ACT has created a “federal” account – i.e., a federal “political committee” – as well as a “nonfederal” account. The analysis set forth above, however, makes clear that the “major

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purpose,” indeed the overriding purpose, of ACT’s activities, including its purportedly “nonfederal” account, is to promote the election of the Democratic nominee for president, and to defeat President Bush. In fact, the soft money being given to the purportedly “nonfederal” account is clearly being donated explicitly for the purpose of defeating President Bush, as George Soros and other donors have made clear. Thus, the purportedly “nonfederal” account itself is a federal “political committee” and must comply with federal contribution limits, source prohibitions and reporting requirements. In other words, money being raised and spent for the purpose of influencing a federal election cannot evade federal law simply by being funneled through an account that is denominated as “nonfederal.” The same is true of the “nonfederal” accounts created by the other respondents, whether or not they also have federal “political committee” accounts as well.

54. ACT may attempt to claim that Commission regulations theoretically allow it to engage in an “allocation” of its expenditures between its federal and “nonfederal” accounts. This is not correct. The Commission’s allocation regulations do not apply in the circumstances here, where an entity as a whole has a major, indeed overriding, purpose to influence federal elections.

55. The Supreme Court in *McConnell* specifically and repeatedly criticized the Commission’s use of allocation methodology as failing to properly implement the FECA. *See* Slip op. at 32 (noting that the FECA “was subverted by the creation of the FEC’s allocation regime...”), 33 (noting under “that allocation regime,” national parties were able to use “vast amounts of soft money in their efforts to elect federal candidates...”), 35 (noting that “the FEC’s allocation regime has invited widespread circumvention of FECA’s limits on contributions....”), 58 (noting that “FECA’s long-time statutory restriction” on contributions to state parties for the purpose of influencing federal elections was “eroded by the FEC’s allocation regime...”). In light

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of the Supreme Court's discussion of allocation, any use of an allocation regime in the case of ACT would be inconsistent with FECA, with BCRA, and with the *McConnell* decision, and would allow the respondents to, in the words of the Supreme Court, "subvert," "erode" and "circumvent" the contribution limits and source prohibitions of the law.

56. In theory, allocation formulae were created for organizations whose activities are undertaken to influence non-federal elections as well as federal elections. The overriding purpose of ACT. and the Leadership Forum, is to influence federal elections – in the case of ACT the 2004 presidential races, and in the case of the Leadership Forum, individual 2004 House races. The evidence set forth above leaves no room for concluding otherwise. Under such circumstances, it would be absurd to apply Commission allocation regulations here, even if they may appropriately be applied in other circumstances. To allow allocation here would fundamentally undermine the BCRA soft money ban, which was intended precisely to stop soft money from being injected into federal elections. It would also make a mockery of the Supreme Court decision in *McConnell*, which explicitly labeled the allocation scheme created by the FEC as the means by which the federal campaign finance laws had been subverted. Slip op. at 32.

57. Because all three section 527 group respondents – including all of the "nonfederal" accounts they have established – have a "major purpose" to support or oppose the election of one or more particular federal candidates, and because all three respondents have spent or imminently intend to spend far in excess of the statutory \$1,000 threshold amount on "expenditures" for this purpose, the Commission should find that all respondents, including all of their "nonfederal" accounts, are "political committees" under the Act. Because the respondents have not filed a statement of organization as a political committee, as required by 2 U.S.C. § 432,

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and have not complied or do not intend to comply with reporting requirements of 2 U.S.C. § 434, and have not complied and do not intend to comply with the contribution limits and source prohibitions of 2 U.S.C. §§ 441a and 441b, the Commission should find respondents in violation of all of these provisions of law.

Count 2
(Conduit for corporate and union spending)

58. The evidence set forth above shows that labor organizations have donated or pledged treasury funds to ACT to be spent to conduct partisan voter mobilization activities aimed at the general public in connection with the 2004 federal elections. The facts also make clear that ACT's voter mobilization activities will be conducted with the intent of defeating President Bush by targeting Democratic voters.

59. The FECA prohibits a labor organization or corporation from making a "contribution" or "expenditure" "in connection with" a federal election. 2 U.S.C. § 441b(a). This includes any "direct or indirect payment...or gift of money...or anything of value...to...any...organization, in connection with any [federal] election...." *Id.* (emphasis added).

60. The definition of "expenditure" excludes "nonpartisan activity designed to encourage individuals to vote or to register to vote..." 2 U.S.C. 431(9)(B)(ii). Thus, partisan voter mobilization activity in connection with a federal election aimed at the general public is included in the definition of "expenditure" and covered by the ban on the direct or indirect spending of union or corporate treasury funds for these purposes. *C.f.* 11 C.F.R. § 114.4(d).⁵⁶

⁵⁶ The FECA makes other exceptions to the prohibition on spending corporate or union funds "in connection with" a federal election, but these exceptions are not applicable here. These exceptions includes any communication "on any subject" by a corporation or labor union aimed at their respective restricted classes, *i.e.*, by a corporation to its stockholders and executive or

61. Thus, a union cannot use its treasury funds to pay for partisan voter mobilization in connection with a federal election activity aimed at the general public. Nor can a union give treasury funds to another group, such as a section 527 group, to be spent on partisan voter mobilization activities in connection with a federal election aimed at the general public. To do so would constitute "indirect" spending of union treasury funds for purposes that such funds cannot be spent directly. Such "indirect" spending of union treasury funds on prohibited activity is as illegal as the direct spending of such funds on the same activity.

62. The evidence set forth above demonstrates that labor unions have contributed or pledged contributions to ACT to be spent on partisan voter mobilization activities in connection with a federal election aimed at the general public. Such expenditures constitute a violation of the law.

Prayer for Relief

Wherefore, the Commission should conduct an immediate investigation under 2 U.S.C. §437g, should determine that the respondents have violated or are about to violate 2 U.S.C. §§ 432, 434, 441a and 441b(a), and 11 C.F.R. § 114.4, should impose appropriate sanctions for such violations, should enjoin the respondent from all such violations in the future, and should impose such additional remedies as are necessary and appropriate to ensure compliance with FECA and BCRA.

administrative personnel and their families, or by a labor organization to its members and their families. 2 U.S.C. § 441b(b)(2)(A). Another exception to the prohibition is for "nonpartisan registration and get-out-the-vote campaigns" by a corporation or by a labor organization aimed at their respective restricted classes. *Id.* at (B). Because the voter mobilization activities in this case are aimed at the general public, these statutory exceptions do not apply.

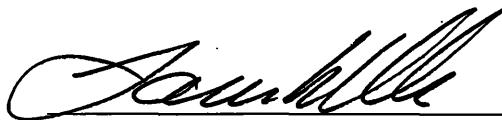
Respectfully submitted,



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Verification

The complainants listed below hereby verify that the statements made in the attached Complaint are, upon their information and belief, true.

Sworn to pursuant to 18 U.S.C. § 1001.

For Complainant Democracy 21



Fred Wertheimer

Vivian Ham
Notary Public
District of Columbia
My Commission Expires:
November 30, 2008

Sworn to and subscribed before me this Wednesday day of January, 2004


Notary Public

For Complainant Campaign Legal Center


Glen Shor

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November 30, 2008

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For Complainant Center for Responsive Politics


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Door by Door

Progressives hit the streets in massive voter outreach

By Christopher Hayes

Coming Together and America Votes, created after McCain-Feingold to circumvent the ban on soft money. Named for the section of the tax code that regulates them, these progressive 527s—nearly all funded and organized by traditional Democratic allies such as labor, environmental and reproductive rights groups—can raise huge sums of unregulated money for voter education and registration so long as they do not advocate for a specific candidate.

The party that sticks together

Issue advocacy and voter contact in an election year is nothing new, but never before have progressive groups come together to coordinate their efforts, pool their resources and collectively execute the program. Although the organizational structure binding the half-dozen largest 527s is to a certain extent ad hoc, most of the groups are staffed by the same pool of veteran political organizers and headquartered in the same office building at 888 16th St.—across the street from the AFL-CIO in Washington, D.C.

Each 527 has a specific geographic or demographic niche. America Coming Together, which with a projected budget of \$98 million is the largest, is looking to register and educate Democratic-leaning voters in 17 battleground states. Partnership for America's Families is focusing on registering minority voters in swing state urban centers like Cleveland and St. Louis. And Voices for Working Families is working on registering and contacting black, Latino and women voters in other hotly contested areas such as Dade and Broward counties in Florida.

Alongside groups that will manage and execute the field operations are a few 527s, like America Votes, dedicated solely to coordinating these efforts.

"We want to make sure everyone isn't knocking over each other in the same neighborhoods," Richards says. "It's a big

Election Day is a year away and the Democrats don't yet have a presidential nominee, but for labor activists, environmentalists, pro-choice advocates and other progressives, the battle for the White House is well under way.

About a dozen groups—backed by the likes of EMILY's List, the AFL-CIO, the Sierra Club and MoveOn.org—are quietly building an infrastructure to undertake the most extensive door-to-door grassroots voter contact operation in U.S. history. Its potential to turn the election already is well understood on both sides: Longtime activists say they haven't felt this energized in decades—and Republicans are using congressional hearings to shut down the operation or steal directly from its playbook.

"It's never been done before on this level," says Steve Rosenthal, the former political director of the AFL-CIO and current president of America Coming Together, a voter outreach group funded by EMILY's List, organized labor and private donors such as George Soros. "It's something that the parties should have been doing but were neglecting."

Cecile Richards, former chief of staff to House Minority Leader Nancy Pelosi, is director of America Votes, a coalition of 24 progressive organizations that will be coordinating field efforts. She echoes Rosenthal and adds, "For me, personally, that's the best kind of politics, direct retail, engaging voters about issues. I think it's a really welcome change and emphasis."

These field operations will be supervised, coordinated and executed by these same dozen so-called 527s, such as Americans

country and there are a lot of voters."

Nearly all 20 organizations within the America Votes coalition routinely meet to share ideas and strategies. Richards says that groups with more experience, such as organized labor, have been mentoring units newer to the field: "It's an opportunity for those who are established to work with groups that are newer, that have more flexibility."

A few of the 527s plan to use their funds for media and advertising, but most will focus on getting out into people's neighborhoods and knocking on doors. "Everyone's learned their lesson from the 2000 election," says Aimee Christensen, executive director of Environment 2004, a 527 put together by a coalition of environmental groups. "A lot of money went into media and not into peer-to-peer contact and it wasn't effective because [TV] markets were overwhelmed. It increases the credibility of the information when it comes from someone in their community."

Turning off TV

Since the '70s, presidential campaigns have centered on raising the massive funds needed to buy expensive television airtime. This emphasis on big media and big money meant that the grassroots, person-to-person campaigning traditionally at the core of the Democratic Party's strategy fell by the wayside.

Political veterans now say that in this time of waning ratings and increased media saturation, TV ads no longer provide the value they once did.

"Really it's been the orthodoxy of campaigns for the last 20 years that money for TV is the whole ball game," says Dan Berwick, an associate at the grassroots consulting firm FieldWorks. "But you can't cut through all the schlock that's on TV, so you have to go for quality over quantity and that's why people are ending up on people's doors."

If door-to-door canvassing seems a throwback to the oldest and most basic kind of politicking, the technique has been radically updated. "We're doing a precinct-level analysis to figure out who the voters are we need to reach and then where they are and how we can talk to them," Rosenthal says. "We're using a pretty sophisticated Web-based voter data base and we're using Palm Pilots so we can load all of the questions to voters into the Palms and then take their responses and hot sync back onto the system at the end of the day."

By developing a detailed profile of each voter or potential voter's concerns, organizers can target messages with an unprecedented degree of specificity. "What I think you'll see is a significant amount of localization of message," says Laurie Moskowitz, former director of the National Coordinated Campaign and co-founder of FieldWorks. "We're not just talking about Superfund sites, but Superfund sites in your neighborhood."

The local message also will be combined with a local face, as groups look toward hiring canvassers from within the communities. Arlene Holt-Baker, who heads up Voices for Working Families, says she's hoping to channel the energy of local community activists angered by the war and the radical Bush agenda in their canvassing and registration efforts. "We are not sending people in," she says. "We really believe that the people who are on the ground, the ones who are interested in what's happening in their communities, are the best people to be going door to door."

Aside from updating their techniques, the field-oriented 527s are starting their operations earlier than ever before. "In 2002 you saw people paying attention to field, but they didn't start

early," Moskowitz says. "That's the biggest difference. The whole realm of activity and planning is going to be so different because people are backing up their timeline."

Service Employees International Union Local 1199 in New York announced that it would pay the salaries of 1,000 union workers to take a full year's leave from their jobs and spend the time canvassing in battleground states; America Coming Together began setting up field offices a year ahead of election day; and Voices for Working Families started knocking on their first doors in Florida in mid-November.

"We're going to have a year's worth of contact that is layered and meaningful," Rosenthal says, "as opposed to bombarding people with a lot of mail and prerecorded phone calls that they just turn off to."

This year's massive field effort is the culmination of years of efforts by Rosenthal and others to make grassroots politics the center of the left's political agenda. In the '90s, Rosenthal, then political director of the AFL-CIO, undertook a concerted effort to reassert labor's political influence by turning out more union voters. He began a program of sustained voter registration and outreach among union members, and the results were impressive. Between the 1992 presidential election and the election in 2000, the percentage of the electorate who were union household members increased to 26 percent from 19 percent. Over the course of the last eight years, 15.5 million non-union household voters dropped out of the electorate, but 4.8 million more union household voters were added.

"The lessons were pretty basic," says Rosenthal. "One, we found that when we talked to people about issues they cared about, they responded. Two, when you talked to people face-to-face, as close to where they live as you can get, they responded. Three, when you talked to them a lot over the course of several months, they responded."

Rosenthal applied what he learned to the 2000 presidential election, where labor's canvassing and voter contact operations helped Al Gore receive more votes than any other Democratic presidential candidate in history, and is credited with providing the margin of victory in a number of states that he won by less than 10,000 votes.

Grassroots arms race

The GOP, which has historically put far less emphasis on field operations, learned from the Democrats, and in 2001 initiated a massive voter registration drive among Republican constituencies. It also instituted the "72-Hour Project," a concerted get-out-the-vote operation that many Republicans credited with the party's success in the midterm elections and prompted Ralph Reed to boast that the "the story of 2002 is not that Democrats stayed home, it was that Republicans came to the polls in historic numbers."

"The Republicans weren't shy about the 72-Hour Project," says Amy Chapman, director of Grassroots Democrats, a 527 working with state parties to coordinate campaigns. "They said it was a page out of the Dems' playbook—and it was."

It wasn't the first time Republicans took their techniques from the Democrats (voter guides and direct mail also were Democratic innovations), but it stunned the party and hammered home Rosenthal's point: Aggressive field operations can win campaigns.

With just about everyone predicting that the 2004 election will be as close and bitterly contested as 2000, the stakes are even higher. "It's like a grassroots arms race," says Ruy Teixeira,

co-author of *The Emerging Democratic Majority*. "The Republicans turned up it a notch and now the Democrats recognize that they have to turn it up a notch."

The energy surrounding field efforts is palpable, and many veteran party activists and organizers who were critical of the ways in which the Bipartisan Campaign Finance Reform Act would end up handcuffing the Democrats now say that birth of the 527s has reinvigorated the party by moving money and manpower outside the Democratic National Committee and closer to activists. "There are some functions that historically the parties did that are going to fall to other organizations," Richards says. "If you look at what labor has done—increasing their share of the vote and focusing their efforts on direct contact with union members in the workplace, in their homes, on the phones—they've really demonstrated the impact of direct contact. You don't inherit a lot of the institutional baggage that anyone who runs the DNC or the state party has to deal with."

Palm piloting voters

Lurking in the background is the possibility that the soft-money ban, the central provision in McCain-Feingold that gave rise to 527s, might be overturned by the Supreme Court. If that were to happen, it would present progressive activists with a dilemma: collapse the infrastructures already erected into the DNC or forge ahead with the 527s.

The decision likely will rest on groups' fundraising prospects. So far the 527s haven't had much of a problem finding cash, thanks in no small part to billionaire financier George Soros, who has donated \$12 million so far to 527s and has pledged millions more.

Republicans and the right-wing press have seized on the Soros contributions as evidence that the Democrats are campaign finance reform hypocrites who have been bought. Drawing a distinction between his actions and theirs, Soros recently defended his decision on public radio's "Marketplace."

"I am contributing to independent organizations that are by law forbidden to coordinate their activities with political parties or candidates," Soros said. "I am not motivated by self-interest

'Our mission is to expand the electorate by registering hundreds of thousands of black, Latino, women and union voters, and there are way more of us than there are of them.'

but by what I believe is in the public interest. So when the Republican National Committee attacks me and distorts my motives I say the pot is calling the kettle black. You see, I'm different from their contributors. I'm not trying to buy influence. I'm acting out of the conviction that the Bush administration is leading us and the world in a dangerous direction."

Organizers agree with Soros, saying that that the goal of this sustained and sophisticated person-to-person contact with voters is not just to defeat Bush but to reconnect people with the political process.

"A lot of voters feel like you come a little too late and you take me for granted," Holt-Baker says. "With people of color and

women that tends to happen with one particular party."

"Both parties have so neglected their organization and their voters, and kind of insulted voters for so long, that people are just yearning for and dying for people to come talk to them again," Rosenthal says. "People are fed up with the political system as we know it and they're dropping out of it, and what we're trying to do is bring them back."

GOP wants Dems' blueprint

As heartening as it is for progressive groups to be pounding the pavement, one question remains: Will the effort work? The last mayoral election in Philadelphia provides a clue. In the three months leading up to the election, Partnership for America's Families, another 527 headed by Rosenthal, registered 86,000 new, mostly black and Latino voters. Democratic Mayor John Street won the election by 85,000 votes.

The histrionic reaction of the right is another good indication. In mid-November, Republicans lashed out at 527s, with RNC chairman Ed Gillespie writing letters to campaign finance watchdogs urging them to investigate groups like America Coming Together for violations of the Bipartisan Campaign Finance Reform Act. The same week directors of six progressive 527s received "invitations" to testify before the House Administration Committee chaired by Rep. Bob Ney (R-Ohio). Ney, who oversees the GOP's House incumbent retention program, said he was concerned that "organizations have been formed in the wake of BCRA with the apparent intent of using soft money to influence federal elections—something the Bipartisan Campaign Reform Act purported to ban."

Rosenthal, Richards and the rest declined to show, given that they weren't subpoenaed, and Rosenthal issued a statement saying: "It is clear that President Bush and the Republican Leadership are intimidated by the prospect of our registering, educating and turning out hundreds of thousands of progressive voters in 2004 so they'll do whatever they can to hamstring our operations and attempt to harass us. ... We will not be bullied by partisan abuse of congressional power."

Ney says he's now planning to subpoena Rosenthal and others to testify. Those in the 527 community have taken Ney's pledge as a sign that Republicans are desperate to get the details on the progressive 527s' plans so they can once again copy the model, if not shut down the operation.

The country's shifting demographics already favor Democrats who consistently win huge pluralities of the non-white vote, which is why Karl Rove has focused the GOP effort on registering 4 million evangelicals. But Rosenthal says that strategy can take the Republicans only so far. "The reason it will work better for our side than theirs is because our vote is more expandable," he says. "Our mission is to expand the electorate by registering hundreds of thousand of black, Latino, women and union voters, and there are way more of us than there are of them."

For Rosenthal, the effort isn't just about winning in 2004. "We're not talking about folding up our tents on November 10, 2004, and going home," he says. "The idea is to create a sustained program that we can build on well into the future." ■

Christopher Hayes is a writer in Chicago.

Democratic 'Shadow' Groups Face Scrutiny

GOP, Watchdogs to Challenge Fundraising

By Thomas B. Edsall
Washington Post Staff Writer
Sunday, December 14, 2003; Page A05

Leading campaign finance watchdog organizations as well as Republican activists intend to challenge the new "shadow" Democratic Party -- a network of independent groups gearing up to spend as much as \$300 million on voter mobilization and pro-Democratic TV ads.

The organizations -- the Center for Responsive Politics, the Campaign Legal Center and Democracy 21 -- contend that the pro-Democratic groups are violating prohibitions on the use of corporate and labor money for partisan voter registration and mobilization drives.

Trevor Potter, chairman of the Campaign Legal Center, said the groups have become "the new soft money loophole. . . . This is the beginning of an important discussion about how these groups are going to operate."

Judith L. Corley, who represents America Coming Together (ACT) and other groups under fire, disputed Potter's contention. "The law has permitted this type of activity all along," she said.

Harold Ickes, who runs the pro-Democratic Media Fund, contended the Republican and watchdog critics are "one, trying to tie us up; two, divert our attention; three, force us to spend money on legal fees rather than electoral activities; and four, to try to chill our contributors."

Republican activists have created a group, Americans for a Better Country (ABC), in part for the purpose of getting the Federal Election Commission to rule on the legality of the objectives and practices of the pro-Democratic groups.

"There is this gray area that right now liberal groups are operating in," said Craig Shirley, one of the founders of ABC. "We'd like to operate in that area if it is legal. . . . We are still at the starting gate, and they are four furlongs ahead of us."

The 2002 McCain-Feingold law upheld by the Supreme Court last week banned parties from raising "soft money." Although supported by overwhelming Democratic majorities in the House and Senate, Democrats were far more dependent on those donations than the GOP, which has been more successful raising smaller, and still-legal, "hard money" contributions.

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New pro-Democratic organizations such as ACT, Voices for Working Families (VWF), America Votes and the Media Fund have stepped in this year to attempt to fill the vacuum created by the soft money ban. These groups are accepting large contributions from labor unions that the parties are prohibited from accepting. Most are explicitly opposed to President Bush.

In the process, ACT, VWF, America Votes and the others are taking over many of the functions traditionally associated with the parties, including voter registration, canvassing, turnout. The Media Fund plans to run radio and television "issue" ads critical of Bush and supportive of Democrats.

Now the watchdog organizations contend that ACT and some of the other groups have become "pass-throughs" or "conduits" for labor unions seeking to use treasury money for partisan registration and turnout efforts. The unions, they argue, are effectively violating federal law and FEC regulations prohibiting corporate or labor treasury money from being used for partisan purposes with the general public. They cite FEC regulations that say:

"The corporation or labor organization shall not make any communication expressly advocating the election or defeat of any clearly identified candidate[s] or candidates of a clearly identified political party as part of the voter registration or get-out-the-vote drive. . . . The registration drive shall not be directed primarily to individuals previously registered with, or intending to register with, the political party favored by the corporation or labor organization."

Corley said the Campaign Legal Center and allied organizations are "trying to expand the soft money ban to all activities, but they are doing it increment by increment by increment."

"What we are trying to do is get the FEC to enforce the law as intended," said Larry Noble, executive director of the Center for Responsive Politics. "All we are saying is: Enforce this law as intended, and don't repeat the mistakes of the past."

from the December 05, 2003 edition - <http://www.csmonitor.com/2003/1205/p02s02-uspo.html>

Now it's thunder from left, too, in the ad war

A decision by liberal group Moveon to run feisty anti-Bush spots raises stakes of the on-air fight - and soft money.

By Linda Feldmann | Staff writer of The Christian Science Monitor

WASHINGTON - The ad is called "\$87 billion MisLeader," and it challenges President Bush's spending priorities.

Amid shots of a schoolboy at his desk, a teacher at a chalkboard, and a little girl with a thermometer in her mouth, a voice tells viewers, "George Bush is going to spend \$87 billion more in Iraq. But after almost three years, where's his plan for taking care of America?"

The Moveon.org Voter Fund, the ad-making wing of a liberal Web-based organization, is betting that this message will resonate among voters, in an ad campaign slated to cost \$1.8 million. The ad, which began airing Thursday, will run for the next two weeks in Ohio, Nevada, Florida, Missouri, and West Virginia - key battleground states in the 2004 presidential race.

Between now and March 2004, Moveon hopes to spend \$15 million on ads - \$10 million from its small-scale donors and the rest in matching funds from billionaire financier George Soros, and Peter Lewis, chairman of Progressive Corp.

This effort represents but a tiny fraction of the advocacy work - ads, voter identification and registration, and get-out-the-vote drives - that outside groups will engage in this election cycle to an unprecedented degree. The reason: The year-old ban on so-called "soft money" donations to the political parties, as part of the new McCain Feingold law, has curtailed the ability to perform those functions, especially in the Democratic party.

Now, a growing roster of so-called 527 groups - named for the IRS provision that governs them - are gathering millions of dollars of unregulated soft money for the 2004 election, to be deployed in much the same way that the party used to use soft money. For Democrats, this shift of soft money to outside groups is especially important, since the party is less successful at raising "hard money" contributions (which are limited and regulated) than are Republicans.

So far, in the 2004 election cycle, Democratic party committees have raised \$75 million and the Republicans have raised \$174 million. To longtime observers of the campaign-finance system, the brave new world of McCain Feingold is still unfolding - but problems are already emerging.

"What I think we've already seen, and can anticipate even under [McCain Feingold], is a shift by well-funded interests or individuals to continue to try to influence the outcome of federal elections, and we end up with even less disclosure than we had under soft money," says David Magleby, an expert on campaign finance at Brigham Young University.

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The large, high-profile donations by Messrs. Soros and Lewis to several groups are atypical in that they were well-publicized. What concerns proponents of the soft-money ban is that many of the donations will be made anonymously, and voters will not know who is behind various ad campaigns.

So far, the original House and Senate sponsors of the campaign-finance legislation, which was years in the making, are in "monitoring mode," watching to see how implementation pans out. Another important development will come soon, when the US Supreme Court rules on the constitutionality of the law's many provisions.

Essentially, says one Senate aide, the law represents what was "doable" after years of struggle. "We took it as far as we could, but I think our fundamental belief is that the law will be twisted if these groups are only complying with the law on the surface and coordinating with the parties with a wink and a nod," he says, expressing skepticism that the Federal Election Commission will provide adequate oversight.

At this phase in the campaign, before the Democrats have a nominee, the role of these new groups is greater than what it would have been for the Democratic Party at this point. Historically, the party would have been silent at this phase, since it does not have an incumbent in the White House.

So one of the many unknowns of the new system is how efforts to shape public opinion by outside actors will ultimately usurp, or compete with, the message-making of the party.

On the Democratic side, some potentially powerful 527 groups have come into being in the last year. The largest is America Coming Together, a coalition of labor unions, environmentalists, and feminists which hopes to raise \$85 million.

Another group, also with labor-union activist support, called Voices for Working Families, aims to raise \$20 million to bolster minority registration among minorities.

Activists have debated whether it makes sense to start airing ads so soon, with 11 months to go before the general election. But for the Moveon.org Voter Fund, now is a good time.

"The major reason to get out so early is the president and the GOP have significant funds that they're going to be spending, and we see our job as inoculating the American public against distortions that are likely to come," says Wes Boyd, co-founder and president of Moveon.org, an online group that started to support President Clinton during his impeachment battle.

America Coming Together

NEWS RELEASE
August 8, 2003

CONTACT: Gretchen Wright
202/371-1999

New Political Action Committee to Launch Unprecedented Get Out the Vote Campaign to Defeat Bush

WASHINGTON, DC – A new political action committee, America Coming Together (ACT), will undertake a substantial effort in 17 key states to defeat President George W. Bush and elect progressive officials at every level in 2004, and to engage and mobilize millions of voters on key public issues. ACT will have a budget of \$75 million to create and coordinate massive registration and get-out-the-vote efforts.

ACT already has commitments from business leaders, philanthropists and unions for \$30 million. In September, ACT will launch a national fundraising campaign to raise the remainder of its budget.

ACT was formed by: EMILY's List President Ellen Malcolm; Partnership for America's Families President Steve Rosenthal; Service Employees International Union President Andy Stern; Sierra Club Executive Director Carl Pope; America Votes President Cecile Richards; and Gina Glantz, Assistant to the President of SEIU and former National Campaign Manager for Bill Bradley for President.

"President Bush is taking this country in the wrong direction," said ACT President Ellen Malcolm. "ACT's creation is further evidence that mainstream America is coming together in response to President Bush's extremism – on the environment, reproductive choice, workers' rights, civil rights and other critical issues."

Next month, ACT will have organizers on the ground in top tier states to create a dialogue with voters on issues of concern to Americans and to share information about the Republican record. The 17 states ACT will target are: Arizona, Arkansas, Florida, Iowa, Maine, Michigan, Minnesota, Missouri, Nevada, New Hampshire, New Mexico, Ohio, Oregon, Pennsylvania, Washington, West Virginia and Wisconsin.

"ACT is launching the largest field operation this country has ever seen," said Andy Stern. "We will be going door-to-door to let people know what the Administration's record really is on the bread-and-butter issues that voters care about."

Steve Rosenthal, Chief Executive Officer of ACT, will manage its political program. Rosenthal directed the political program at the AFL-CIO from 1996-2003, when he helped increase union turn-out by 4.8 million voters at a time when turn-out by non-union members decreased by 15 million.

"The Bush Administration has rolled back environmental protections to a point that is intolerable to most Americans," Carl Pope added. "The jobless rate has soared while civil rights and women's gains are being assaulted every day. Americans do not want four more years of reckless, irresponsible policies that put our future at risk."

more

Suite 1120 • 1120 Connecticut Avenue, NW • Washington, DC 20036 • 202-419-1040

~~Printed by America Coming Together (Suite 1120, 1120 Connecticut Ave., NW, Washington, DC 20036) and not authorized by any candidate or committee.~~

Add One

Ellen Malcolm will manage ACT's fundraising effort and administration while continuing to serve as President of EMILY's List. Steve Rosenthal will continue to serve as President of the Partnership for America's Families. Gina Glantz will serve as Treasurer. All three will make major time commitments to ACT.

ACT's founding donors include: Ann Bartley; Patricia Bauman; philanthropists Lewis and Dorothy Cullman; Peter Lewis, philanthropist and Chairman of the Board of the Progressive Corp.; Rob McKay, who was the major funder of a California initiative to allow Election Day voter registration; and financier and philanthropist George Soros.

#

NOTE: For information about George Soros, please call his spokesperson, Michael Vachon, at 212/397-5526.

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Liberals Form Fund To Defeat President

Aim Is to Spend \$75 Million for 2004

By Thomas B. Edsall
Washington Post Staff Writer
Friday, August 8, 2003; Page A03

Labor, environmental and women's organizations, with strong backing from international financier George Soros, have joined forces behind a new political group that plans to spend an unprecedented \$75 million to mobilize voters to defeat President Bush in 2004.

The organization, Americans Coming Together (ACT), will conduct "a massive get-out-the-vote operation that we think will defeat George W. Bush in 2004," said Ellen Malcolm, the president of EMILY's List, who will become ACT's president.

ACT already has commitments for more than \$30 million, Malcolm and others said, including \$10 million from Soros, \$12 million from six other philanthropists, and about \$8 million from unions, including the Service Employees International Union.

The formation of ACT reflects growing fears in liberal and Democratic circles that with Republicans likely to retain control of Congress, a second Bush term could mean passage of legislation, adoption of regulations and the appointment of judges that together could devastate left-supported policies and institutions.

Other groups joining the fight against Bush include the American Majority Institute, which was put together by John Podesta, a former top aide to President Bill Clinton. The institute will function as a liberal counter to conservative think tanks such as the Heritage Foundation. A network of liberal groups has formed America Votes to coordinate the political activities of civil rights, environmental and abortion rights groups among others, and former Clinton aide Harold Ickes is trying to set up a pro-Democratic group to finance 2004 campaign television ads.

Another factor behind the surge of political activity is the fear that the ban on "soft money" will leave the Democratic National Committee without adequate funds to pay for state and federal "coordinated campaign" activities, which are voter mobilization efforts eight weeks before the election. In the past, the DNC paid for much of the costs with large "soft money" contributions from unions, corporations and rich people.

Republicans sent a warning shot across ACT's bow. "We are going to be watching very closely to make sure they adhere to their claim that they will not be coordinating with the Democratic Party," said Republican National Committee spokeswoman Christine Iverson. Such coordination would violate campaign finance laws.

Iverson contended that ACT's financing indicates that "the Democrats are addicted to special-interest soft money and this allows them to feed that addiction by skirting the spirit of the new campaign finance law."

The shifting focus of Soros, who is worth \$5 billion and is chairman of Soros Fund Management LLC, from the international sphere to the domestic political arena is considered significant.

In a statement describing his reasons for giving \$10 million, Soros said, "I believe deeply in the values of an open society. For the past 15 years I have focused my energies on fighting for these values abroad. Now I am doing it in the United States. The fate of the world depends on the United States and President Bush is leading us in the wrong direction."

Steve Rosenthal, whose mobilization of union members from 1996 through 2002 has been widely praised, will be ACT's chief executive officer. He said that ACT will hire hundreds of organizers, state political directors and others as the 2004 election approaches.

ACT plans to concentrate its activities in 17 states, all of which are likely to be presidential battlegrounds: Iowa, Maine, Michigan, Minnesota, New Mexico, Oregon, Pennsylvania, Washington, Wisconsin, Arizona, Arkansas, Florida, Missouri, Nevada, New Hampshire, Ohio and West Virginia.

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27044171935

FRIDAY, DECEMBER 5, 2003

George Soros

Why I Gave

I and a number of other wealthy Americans are contributing millions of dollars to grass-roots organizations engaged in the 2004 presidential election. We are deeply concerned with the direction in which the Bush administration is taking the United States and the world.

If Americans reject the president's policies at the polls, we can write off the Bush Doctrine as a temporary aberration and resume our rightful place in the world. If we endorse those policies, we shall have to live with the hostility of the world and endure a vicious cycle of escalating violence.

In this effort, I have committed \$10 million to America Coming Together, a grass-roots get-out-the-vote operation, and \$2.5 million to the MoveOn.org Voter Fund, a popular Internet advocacy group that is airing advertisements to highlight the administration's misdeeds. This is a pitance in comparison with money raised and spent by conservative groups.

Rather than a debate on the issues, there's been a lot of name-calling by such groups as the Republican National Committee and the National Rifle Association. In an attempt to taint the groups I support and intimidate other donors, they imply that my contributions are illegitimate or that I have somehow broken the law.

In fact, I have scrupulously abided by both the letter and the spirit of the law. Both America Coming Together and the MoveOn.org Voter Fund are "527" organizations—referring to Section 527 of the tax code—which are entitled to receive unlimited contributions from individuals. Both groups are fully transparent about their motives and activities. Both file detailed and frequent reports with government regulators.

The Bipartisan Campaign Reform Act was an attempt to limit the influence that special interests can gain by financing candidates and to level the playing field between the two parties. My contributions are made in that spirit.

President Bush has a huge fundraising advantage because he has figured out a clever way to raise money. He relies on donors he calls "Pioneers," who collect \$100,000 apiece in campaign contributions in increments that fall within the legal limit of \$2,000 a person, and on those he calls "Rangers," who collect at least \$200,000.

Many of these Pioneers and Rangers are corporate officials who are well situated to raise funds from their business associates, bundle them together and pass them along with tracking numbers to ensure proper "credit." They are buying the same level of access and influence for their corporate interests that they previously obtained with their own and corporate funds. With the help of Pioneers and Rangers, President Bush is on track to collect \$200 million.

To counter the fundraising advantage obtained by this strategy, I have contributed to independent organizations that by law are forbidden to coordinate their activities with the political parties or candidates. That law minimizes or eliminates the ability to purchase influence in exchange for my contribution. Moreover, I don't seek such influence. My contributions are made in what I believe to be the common interest. ACT is working to register voters, and MoveOn is getting more people engaged in the national debate over Bush's policies.

I recognize that the system is imperfect, and I wish there were a different way to level the playing field. Making contributions to ACT and the MoveOn.org Voter Fund is the best approach I have found. I have been an advocate of campaign finance reform for almost a decade, including the legal defense of the current legislation. I recognize that every new regulation has unintended adverse consequences, but this does not mean reform should be abandoned.

Clearly, the rules need to be updated in the light of the 2004 experience. Some good proposals have already surfaced, including one from the major sponsors of the Bipartisan Campaign Reform Act. This bill should be supported. Among other measures, it calls for an increase in the federal match for small contributions and would raise the spending limit for candidates who accept public funding to \$75 million—changes that would reduce the bias toward big-money donors. Free airtime for candidates is also important. This would reduce the cost of campaigns and the distorting effect of commercials.

Full disclosure and transparency are clearly beneficial. It is important that people know where financial support is coming from. I have been open about my contributions, and I welcome the debate they have sparked. In the meantime, as the debate continues, my contributions help to ensure that the money spent on trying to reelect President Bush doesn't overwhelm the process.

The writer is chairman of the Soros Management Fund and author of "The Bubble of American Supremacy."

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GEORGE SOROS IS MAD AS HELL

He made billions anticipating blowups. Now he thinks George Bush is creating one. BY MARK GIMEIN

GEORGE SOROS OWNS NO PRIVATE plane, no Caribbean island, no yacht, no ranch in the West, no collection of Old Masters. When he travels to Budapest, the city where he was born and survived the Nazi occupation, he stays in an unfashionable hotel that happens to be nestled in the middle of a beautiful park where he can go for vigorous walks. He travels solo, his wife pre-

ferring to stay in the U.S. while he tours his international philanthropic empire. Walking onto a stage in Europe, he is illuminated by the flashes of little pocket cameras that audience members hold over their heads. But offstage he waits in line at the bar for his Campari like everybody else, looking a little lost. He is naturally reserved, and that is somehow accented by his precise Cen-

tral European inflections. In a public setting he can appear strikingly alone, even lonely, a private man who has found himself living a very public life.

His demeanor belies his influence. George Soros is one of the most successful investors of all time. Even now, though he manages little or no money besides his own, he can move markets with a ten-minute appearance on cable television. Detractors have accused him of destabi-

lizing world currencies and wrecking the economies of entire nations. He is appealing a French conviction for insider trading. He has received humanitarian awards too numerous to count.

Soros has always been a polarizing figure, and over the next few months he is sure to become even more of one, especially in the U.S., where his name has never had the totemic power it does in Europe. At the age of 73, George Soros has found new pur-

pose: He has recast himself as a fierce, angry, partisan critic of the Bush administration and American policy. In what amounts to a barnstorming tour that has taken him from town halls in Seattle to a school of international relations in Baltimore to the World Economic Forum in Athens, Soros has argued that the U.S. right now is in the midst of a crisis. He believes that both at home and abroad, the American government has put in jeopardy the values of openness and democracy in a search for "invisible enemies." A careful observer of the international political scene, with contacts ranging all the way from UN chief Kofi Annan to Brazilian President Luiz Lula da Silva to Bush foreign-policy eminence Paul Wolfowitz, Soros attacks Bush in the most direct and dramatic terms.

"I lived through both German and Soviet occupation," Soros told me as we walked through a park on Budapest's Margaret Island. "When I hear President Bush say that those who are not with us are against us, I hear alarm bells." He calls Bush's speeches "Orwellian" and compares the Bush vision of international democracy—"You can have freedom as long as you do what we tell you to do"—to Soviet rhetoric about "people's democracies."

Soros has just committed \$10 million of his own money to an effort to drum up support for Democrats in key states, immediately becoming one of the biggest individual donors to next year's electoral race. In September he staged a fundraiser for former Vermont governor Howard Dean. And after years of writing moderate, carefully argued—and not very influential—tracts about the international economy, he is now almost ready to publish a very different kind of work, a book to be called *The Bubble of American Supremacy*. It's a no-holds-barred attack on what he sees as the hubris of American policy. "I've come to the conclusion," Soros told FORTUNE, "that one can do a lot more about the issues I care about by changing the government than by pushing the issues." In short, he has become the world's angriest billionaire.

IT WOULD BE POLITE TO CALL SOROS'S crusade something like the "debate about America's place in the world," but it is simpler to call it a fight against the Bush administration. "I was very comfortable with what this country stood for," Soros says. "But with the Bush administration coming into power, and the way it has exploited the terrorist attacks of Sept. 11, I feel very uncomfortable about the direction in which

\$4.6 billion and counting

Soros's Open Society Institute, which takes its name from philosopher Karl Popper's phrase for free and democratic states, supports 33 foundations that funnel money into global philanthropy. Many of Soros's greatest successes have been in Eastern Europe, where Soros was close to dissidents who came to power after the fall of Communism (though his record in Russia was mixed). All told, his annual giving rivals the Ford Foundation's. — Christopher Tkaczyk



Soros's foundations and programs are active in 60 countries. Here are a few highlights:

OPEN SOCIETY INSTITUTE—RUSSIA

\$1 billion 1987 TO 2003
Funded independent media, health care, and scientific research. But he shut his foundation there in June.

OPEN SOCIETY INSTITUTE/U.S.

\$565 million 1996—PRESENT
Initiatives include: reducing gun violence, campaign finance reform, and improved care for the dying.

CENTRAL EUROPEAN UNIVERSITY/HUNGARY

\$300 million 2001
Endowed the Central European University, a graduate school in Budapest.

OPEN SOCIETY FOUNDATION/SOUTH AFRICA

\$135 million 1993—PRESENT
Affordable housing for low-income South Africans.

STEP BY STEP

\$110 million 1992—PRESENT
A childhood-education program active in 29 countries.

FUND FOR AN OPEN SOCIETY/SERBIA

\$100 million 1991—PRESENT
OSI's involvement in the former Yugoslavia helped bring down the dictatorship of Slobodan Milosevic.

INTL. HARM REDUCTION DEVELOPMENT PROGRAM

\$52 million 1997—PRESENT
200 centers in 26 countries for HIV/AIDS prevention.

FONDATION CONNAISSANCE ET LIBERTÉ

\$35 million 1995—PRESENT
Community development in Haiti, including funding for schools and libraries.

ALBANIAN EDUCATION DEVELOPMENT

\$30 million 1994—2002
Helped rebuild the Albanian school system.

IRAQ REVENUE WATCH

\$150 thousand MAY 2003—PRESENT
Monitors the use of Iraq's oil revenue.

the U.S. is taking the world, and to me it is not business as usual."

Last summer Soros holed up with half a dozen top Democratic political strategists at a house he owns on Long Island to try to figure out how he could help bring down Bush, getting an education from some of the Democratic Party's most prominent fundraisers and consultants. In August he agreed to lead several other major donors in what Democrats hope will be \$75 million in spending on a grass-roots get-out-the-vote effort in 17 battleground states. Called America Coming Together, it's directed by top Democratic fundraisers Steve Rosenthal and Ellen Malcolm. That makes Soros a key player in the huge "soft money" push that the Democrats, hampered by new restrictions on campaign finance, hope will be one of the keys to matching Bush's formidable fundraising apparatus in the 2004 election.

The people who talked politics with Soros are discreet about those meetings. Mark Steitz, a political consultant, says Soros "approached it like a businessperson going into a new business." Rosenthal, the former political finance guru for the AFL-CIO, says that for Soros "it was more of a listening and absorbing session. He's not a guy who felt it necessary to comment on everything." But if he is willing to listen when it comes to election tactics, Soros has some very definite ideas about his broad agenda. He believes that by thumbing its nose at multinationalism, the Bush administration has frittered away its credibility abroad

"We are becoming enmeshed in a vicious circle of escalating violence."

since Sept. 11. Having done more to build Eastern European democracies after the fall of Communism than any other individual, Soros now advocates a "Soros doctrine," in which the U.S. would team up with the United Nations and other multilateral groups to intervene early and peacefully in countries facing the prospect of social meltdown. He has a domestic program, too. Despite an admitted aversion to giving his money to the government, Soros is pushing for more progressive taxation—read: higher taxes for the wealthy—including a return of the estate tax (an idea that would cost Soros himself billions, albeit posthumously). Soros is a deficit hawk who believes the Bush Administration's deficits will stifle any economic recovery. He is furious about what he sees as the Bush administration's encroachments on civil liberties, regarding the Patriot Act and much of the broader domestic war on terror as an insidious threat to what he calls open society. Soros thinks that if the U.S. doesn't change its outlook, at home and abroad, the country is in grave danger.

Soros has made a career in finance and philanthropy out of seeing when normal situations turn far from normal. "Life is generated at the edge of chaos," Soros told me, "so I specialize in

this edge of chaos situation. And that's when I did best." He has become one of the richest men in the world by charting these moments of change—and reacting to them earlier than other financiers and much earlier than most governments. Soros is convinced this is exactly the kind of moment we're in now.

One crisis Soros foresees is economic. In one of his books Soros gives the example of a "benign circle" in which currencies steadily rise when an economy is strong, and investors gravitate toward buying stocks and bonds in the rising currency (precisely the situation the U.S. has been in for most of the past decade). But when the pattern is reversed, the circle unwinds astonishingly fast. Soros thinks this may well happen to the U.S. in the wake of rising deficits and military spending.

But the bigger bubble that Soros sees is ideological. "The crisis now, the one that I'm predicting, the crisis of global capitalism, latest version, is a political and military crisis," an agitated Soros told me. "It has been brought about by the exploitation of Sept. 11 by the Bush administration to pursue its policy of dominating the world in the guise of fighting terrorism." In his writings, Soros discusses how bubbles or "self-reinforcing" trends develop when a wrong idea—whether in finance or politics—survives a comparatively easy test, making an idea that's unsustainable in the long term appear prescient in the short. That's how Soros thinks of the Iraq war: A quick military victory reinforces the wrongheaded idea that thanks to an unbeatable military, the U.S. can achieve its international objectives by going to war. In a draft of the forthcoming *The Bubble of American Supremacy*, Soros puts it more strongly: "[W]e are becoming enmeshed in a vicious circle of escalating violence."

OVER THE PAST TEN YEARS, SOROS has given away \$4 billion, for everything from curing tuberculosis in Russian prisons to supporting dissidents in Zimbabwe to setting up hospices in the U.S. For those keeping count, his annual giving is up there with the Ford Foundation's. He has written seven books on economics and world affairs, dense tracts of political theory and complex

Soros funded the Czech dissidents who were led by Vaclav Havel (right, foreground).

uations turn far from normal. "Life is generated at the edge of chaos," Soros told me, "so I specialize in



economic programs. The staggering weight of his accomplishment leaves one almost embarrassed to mention, you know, his money, which is the reason we became interested in George Soros in the first place.

But it is often the people who know Soros from his life as a manager and maker of money who offer the best and bluntest insights into what drives him. Stanley Druckenmiller, who spent a decade running Soros's Quantum fund, says, "He's a brilliant man, a brilliant manager. But his greatest strength, not to be foul or anything, is his balls. When he'd see something, obvious or not obvious, he was willing to bet it bigger than other people."

Descriptions of Quantum usually put it in the category of "macro funds"—short-hand for its strategy of making leveraged bets on worldwide macroeconomic events. It is easy to forget that before Soros there was no such thing as a macro fund. There were stock funds and bond funds (not nearly as many as there are now), but Soros invented something new. Here was a fund manager who saw the whole world as a stage, who made bets on currencies and stock indexes, who tried to guess the behavior of the central bankers who were really his closest counterparts. Druckenmiller describes Soros as the first money manager to say, "I don't have to just trade stocks or bonds—if I've got five or six weapons at my disposal ... I'll go where the action is."

Soros started his first hedge fund in 1969 with \$4 million, just a fraction of it his own. Between that year and 2000, the last twelve years with Druckenmiller's help, Soros's flagship fund returned an average of 31% annually, with only three losing years (the tech stock crash made 2000 one of them). Today his fund company has about \$12 billion under management. Of that, \$7.4 billion is in the flagship Quantum Endowment fund. Though Soros maintains that there are outside investors in Quantum, former executives of his fund company believe that the overwhelming share, if not all, of that \$7.4 billion belongs to Soros and his family.

The fortune that Soros has acquired, and the reg-

"My view of the world was formed when the Nazis were deporting Jews to Auschwitz."

ularity with which he has predicted the turns of the world economy, obscure what a painful, emotional business making money has been for him. In an interview with Byron Wien in *Soros on Soros*, a collection of conversations about money and politics, he admits that often he would know it was time to sell out a position when his back started killing him. And when he describes his one truly awful year as an investor, when he lost 23% of his fund in 1981, he describes it as "blowing up"—not a failure of analysis but an unconscious, primal response.

Soros has always appeared somewhat stunned by his own preternatural ability to make money in the financial markets. Though he has written a book about it, *The Alchemy of Finance*, he has never believed that his talent is "teachable," nor has he ever really succeeded in explaining it. The upshot of Soros's theories about the financial markets is that while in ordinary

times the markets undulate with the steady, sinuous waves we know from market charts, there are extraordinary periods in which the markets change rapidly, and the interaction of market realities and investors' expectations creates powerful, self-reinforcing trends—bubbles and crashes. Soros likes to call those situations "far from equilibrium," a safe, scientific-sounding term for situations that to most people are frightening and puzzling.

Soros tries to recognize these situations by the small signs that "normal" is turning into a bubble, a boom/bust cycle, or a crisis. We all know about the hurricane that begins with the flap of a butterfly's wings, but Soros is the rare person who is habitually willing to follow the implications. Very often those signs come from politics: Soros has been particularly adept at noticing those instances when statesmen, Finance Ministers, and politicians try to react, tentatively and incom-

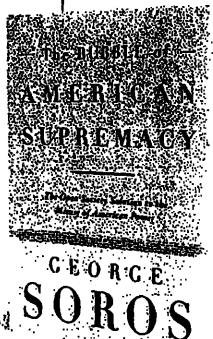
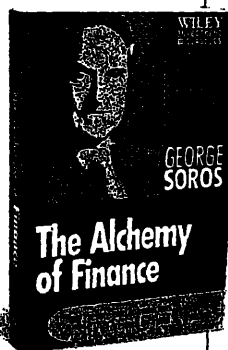
pletely, to big economic and social trends that are just about to—but have not yet—become full blown crises. Soros and Druckenmiller famously made a billion dollars betting that the British pound would go down. In *Soros on Soros*, he says the sequence of events that led to the bet started with an offhand comment from the German Finance Minister about the lira. That led Soros to believe that the whole European currency market was a lot less stable than anyone else thought. One example of a small event hinting at major disruption that he often turns to is the phone call that Mikhail Gorbachev made to noted dissident Andrei Sakharov in 1986. It was to Soros a subtle but unmistakable sign that the entire Soviet system was on the verge of transformation.

UNDERSTANDING CHAOS IS something that Soros has pursued in what he calls the labo-

Soros in his own words

George Soros's new book, *The Bubble of American Supremacy*, should make a splash when it is published in January (see main story). But Soros also published a book this fall: a new edition of *The Alchemy of Finance*, his 1987 explanation of the financial markets. In this new version he tries to clarify his theory of "reflexivity." Some readers have understood this concept to mean that market prices are influenced by

expectations, not just "fundamentals." Ho hum. Soros uses the new intro to explain what he really meant: Expectations and real-world facts interact in ways that often change the supposedly solid facts in surprising ways. For example, inflated expectations of Internet companies ran up the value of their stocks. But some of these companies, like America Online, used the stock to make acquisitions. Suddenly the "facts" changed. Just ask anybody at Time Warner if Soros is on to something.



ratory of finance and in reading and writing philosophy, but it also has very deep roots in his psyche. Soros and his family were among the minority of Budapest Jews who survived the 1944 Nazi invasion of Hungary. His father, Tivadar Soros, wrote a little-read but riveting book titled *Masquerade* about the family's months of hiding and running from the Germans and their collaborators. Lucid and even casual in tone, *Masquerade* recounts the way so many of Budapest's Jews, unable to see how dark their situation was, fell into the tightening noose of the "Jewish laws"—even answering summonses to the local police station to be deported to concentration camps in alphabetical or-

Soros, in his New York office, made a career of operating "at the edge of chaos."

"Most of the time he was treated seriously as a **donor**, not a **thinker**."

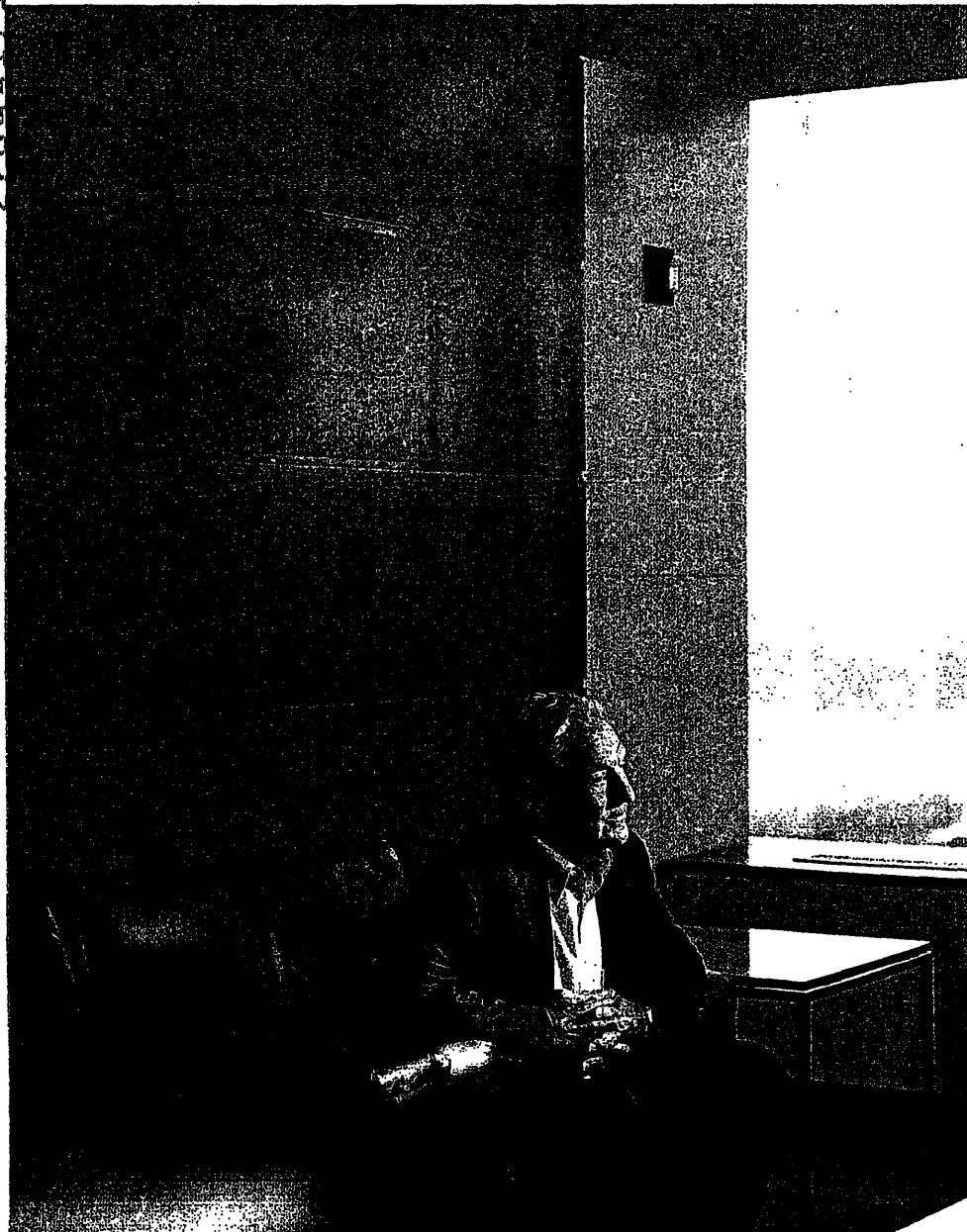
der. And yet a few—including Tivadar Soros and his family—were able to use the confusion of war as a cover to hide under false identities.

"[My] view of the world, I would say, was formed very much in the traumatic experience in the Second World War when Hungary was occupied by Nazi Germany and they were deporting Jews to Auschwitz," Soros told me. "I was lucky enough to have a father who understood that this is not normalcy. This

is far from equilibrium. And if you go by the rules that you normally go by, you're going to die. I learned from a grand master in the Second World War, and I basically applied this view of the world to the financial markets and also to my political vision."

Soros has outlined those views in his books. Repeatedly he has tried to systematize his thinking, generally returning to the theory he calls "reflexivity" and trying to use it to explain the emergence of "out of equilibrium" conditions—whether the rapid fall of the Communist bloc or the Asian currency crisis. Soros seems puzzled that these books have not been more influential. He has joked that he is a "failed philosopher" but admits that he was irked when his biographer, Michael Kaufman, took that estimation at face value. But in fact the density and abstraction of his books—which rarely grant the reader a personal detail—have greatly limited their influence. "Most of the time," says Soros's friend Wiktor Osiatynski, a Polish legal scholar who sits on the boards of several of Soros's foundations, "he was treated seriously as a donor but not so seriously as a thinker." Stanley Druckenmiller, who remains a friend of Soros's but disagrees with him on nearly every political point, argues that Soros's strength has been not been putting together theoretical models but "relying on the intuitive" to know when the world is changing enough to make existing models obsolete.

It's that intuitiveness, the visceralness of his Hungarian experience, that has been missing from Soros's writing. The draft of *The Bubble of American Supremacy* is the first of his books to have it. In it, Soros notes with some pride that his politics have become "rabid." He has sometimes talked about how in his first fund, his partner, Jim Rogers, did the analysis while Soros "pulled the trigger," making the decisions. It is as if when it comes to politics and philosophy, Soros himself has decided to pull the trigger. "We are now being led by people who follow a false and dangerous ideology," Soros told a sympathetic Washington audience in September. "[This country] is where the future of the world is being decided." It is, in other words, the kind of "out of equilibrium" situation that engages Soros.



SO HOW SERIOUSLY SHOULD WE TAKE Soros's warnings? Soros himself hedges a little. If, as Soros does, you spend your time looking for "far from equilibrium" situations, you're bound to find them. Soros is very much aware of this: In 1998 he wrote a book, *The Crisis of Global Capitalism*, predicting a meltdown that never quite happened. "Just as economists have predicted the last ten of three recessions," he says, "the same way, I predict ten boom-bust situations out of three."

Whether or not Soros turns out to be right this time in thrusting himself into the election debate, he has made himself a big fat target for the Republicans. Before the election season is out you can expect Soros's dire predictions, and Soros himself, to become an issue. For those who have distrusted him, Soros has always been easy to paint as an Ian

Democratic fundraiser Ellen Malcolm, a participant in Soros's summer retreat, deflects questions about Soros's views by saying, "He's a very thoughtful, intelligent person who cares deeply about democracy."

Whichever side of the political divide you are on, it makes sense to pay Soros some heed on international economics. When he has been right about international trends, it has often been spectacularly so. To Soros, the casual phrases of a Finance Minister or a Treasury Secretary are never just casual. Last summer, for instance, Soros told viewers on CNBC that the new U.S. Treasury Secretary, John Snow, was intentionally exposing the dollar to a precipitous drop and that Soros himself was betting against the dollar. Soros saw Snow's vague comments that a falling dollar would help U.S. exports as the sign of a deliberate, short-sighted pol-

"George Soros has **purchased** the Democratic Party for \$10 million."

Fleming villain. Secretive moneymaking apparatus? Check. Member of the Council on Foreign Relations? Check. Hobnobs with heads of state? Phony-sounding, palindromic name? Check, check. Add to that "biggest soft-money contributor to the anti-Bush forces," and you have a recipe for copious mudslinging.

"The Democratic party has been unable to broaden their message," says Republican National Committee spokeswoman Christine Iverson, "and as a result they remain beholden to a very small group of very wealthy people with narrow special interests." Soros's "interests" may be very different from those of corporate PACs angling for their bit of gain in the legislative and regulatory arenas. Distinctions like that don't last long in the rough argot of real-world politics, though. "George Soros has purchased the Democratic Party for \$10 million," Iverson says.

Meanwhile, Democrats soft-pedal how much influence he is likely to have. "I don't think he'll make much headway in some of his particular issues," says Tom Mann, a Democratic political analyst at the Brookings Institution. "Will it affect the agenda of the party? It's a matter of relative resources. Do you really believe Soros's \$10 million will make a difference in the party's agenda in an election in which \$4 billion will be spent?" Well, yes, if it gets Soros's ideas noticed. But ironically, the more money Soros gives, the more the Democrats have to avoid the appearance that they're kowtowing to him.

icy that would give a temporary boost to U.S. exports while hurting the rest of the world. "Deliberately devaluing the dollar is in some ways reminiscent of the competitive devaluations that occurred in the interwar period, which then resulted in a global depression," Soros says now. "It was a nice frosting on the cake [for Snow] to say 'we can screw Old Europe by devaluing the dollar.'"

Most analysts at the time believed that Snow's comments were, if not a slip-up, then a trial balloon rather than a reflection of a new economic policy. The President soon reiterated the traditional American commitment to a strong dollar. Now, six months later, the dollar is back on the agenda, and at the latest international economic summit, the U.S. pushed for ... a weaker dollar.

It makes for an impressive display of Soros's mix of political and economic acumen, especially notable because it is driven not just by a feel for the movements of the world economy but even more by a feel for what motivates American politicians. "The kind of boom-bust sequence I have been best at reading," Soros says, "always has a political element." That talent for reading politics and politicians is one that Soros will likely have plenty of opportunity to display. Actually, you can think of the big game of domestic politics that Soros has taken on as being a lot like the wrenching exercise of running billions of dollars. Just with higher stakes. ■

FEEDBACK mark_gimein@fortunemail.com

Soros's Deep Pockets vs. Bush

Financier Contributes \$5 Million More in Effort to Oust President

By LAURA BLUMENFELD
Washington Post Staff Writer

NEW YORK—George Soros, one of the world's richest men, has given away nearly \$5 billion to promote democracy in the former Soviet bloc, Africa and Asia. Now he has a new project: defeating President Bush.

"It is the central focus of my life," Soros said, his blue eyes settled on an unseen target. The 2004 presidential race, he said in an interview, is "a matter of life and death."

Soros, who has financed efforts to promote open societies in more than 50 countries around the world, is bringing the fight home, he said. On Monday, he and a partner committed up to \$5 million to MoveOn.org, a liberal activist group, bringing to \$15.5 million the total of his personal contributions to oust Bush.

Overnight, Soros, 74, has become the major financial player of the left. He has elicited cries of foul play from the right. And with a tight nod, he pledged: "If necessary, I would give more money."

"America, under Bush, is a danger to the world," Soros said. Then he smiled: "And I'm willing to put my money where my mouth is."

Soros believes that a "supremacist ideology" guides this White House. He hears echoes in its rhetoric of his childhood in occupied Hungary. "When I hear Bush say, 'You're either with us or against us,' it reminds me of the Germans." It conjures up memories, he said, of Nazi slogans on the walls, *Der Feind Hort mit* ("The enemy is listening"). "My experiences under Nazi and Soviet rule have sensitized me," he said in a soft Hungarian accent.

Soros's contributions are filling a gap in Democratic Party finances that opened after the restrictions in the 2002 McCain-Feingold law took effect. In the past, political parties paid a large share of television and get-out-the-vote costs with unregulated "soft money" contributions from corporations, unions and rich individuals. The parties are now barred from accepting such money. But non-party groups in both camps are stepping in, accepting soft money and taking over voter mobilization.

"It's incredibly ironic that George Soros is trying to create a more open society by using an unregulated, under-the-radar-screen, shadowy, soft-money group to do it," Republican National Committee spokeswoman Christine Iverson said. "George Soros has purchased the Democratic Party."

In past election cycles, Soros contributed relatively modest sums. In 2000, his aide said, he gave \$122,000, mostly to Democratic causes and candidates. But recently, Soros has grown alarmed at the in-



In giving \$15.5 million to the effort to defeat President Bush, George Soros has filled a gap in Democratic Party finances.

fluence of neoconservatives, whom he calls "a bunch of extremists guided by a crude form of social Darwinism."

Neoconservatives, Soros said, are exploiting the terrorist attacks of Sept. 11, 2001, to promote a preexisting agenda of preemptive war and world dominion. "Bush feels that on September 11th he was anointed by God," Soros said. "He's leading the U.S. and the world toward a vicious circle of escalating violence."

Soros said he had been waking at 3 a.m., his thoughts shaking him "like an alarm clock." Sitting in his robe, he wrote his ideas down, longhand, on a stack of pads. In January, PublicAffairs will publish them as a book, "The Bubble of American Supremacy" (an excerpt appears in December's Atlantic Monthly). In it, he argues for a collective approach to security, increased foreign aid and "preventive action."

"It would be too immodest for a private person to set himself up against the president," he said. "But it is, in fact"—he chuckled—"the Soros Doctrine."

His campaign began last summer with the help of Morton H. Halperin, a liberal think tank veteran. Soros invited Democratic strategists to his house in Southampton, Long Island, including Clinton chief of staff John D. Podesta, Jeremy Rosner, Robert Boorstin and Carl Pope.

They discussed the coming election. Standing on the back deck, the evening sun angling into their eyes, Soros took aside Steve Rosenthal, CEO of the liberal activist group America Coming Together (ACT), and Ellen Malcolm, its president.

They were proposing to mobilize voters in 17 battleground states. Soros told them he would give ACT \$10 million.

Asked about his moment in the sun, Rosenthal deadpanned: "We were disappointed. We thought a guy like George Soros could do more." Then he laughed. "No, kidding! It was thrilling."

Malcolm: "It was like getting his Good Housekeeping Seal of Approval."

"They were ready to kiss me," Soros quipped.

Before coffee the next morning, his friend Peter Lewis, chairman of the Progressive Corp., had pledged \$10 million to ACT. Rob Glaser, founder and CEO of RealNetworks, promised \$2 million. Rob McKay, president of the McKay Family Foundation, gave \$1 million and benefactors Lewis and Dorothy Cullman committed \$500,000.

Soros also promised up to \$3 million to Podesta's new think tank, the Center for American Progress.

Soros will continue to recruit wealthy donors for his campaign. Having put a lot of money into the war of ideas around the world, he has learned that "money buys talent; you can advocate more effectively."

At his home in Westchester, N.Y., he raised \$115,000 for Democratic presidential candidate Howard Dean. He also supports Democratic presidential contenders Sen. John F. Kerry (Mass.), retired Gen. Wesley K. Clark and Rep. Richard A. Gephardt (Mo.).

In an effort to limit Soros's influence, the RNC sent a letter to Dean Monday, asking him to request that ACT and similar organizations follow the McCain-Feingold restrictions limiting individual contributions to \$2,000.

The RNC is not the only group irked by Soros. Fred Wertheimer, president of Democracy 21, which promotes changes in campaign finance, has benefited from Soros's grants over the years. Soros has backed altering campaign finance, an aide said, donating close to \$18 million over the past seven years.

"There's some irony, given the supporting role he played in helping to end the soft money system," Wertheimer said. "I'm sorry that Mr. Soros has decided to put so much money into a political effort to defeat a candidate. We will be watchdogging him closely."

An aide said Soros welcomes the scrutiny. Soros has become as rich as he has, the aide said, because he has a preternatural instinct for a good deal.

Asked whether he would trade his \$7 billion fortune to unseat Bush, Soros opened his mouth. Then he closed it. The proposal hung in the air: Would he become poor to beat Bush?

He said, "If someone guaranteed it."

NOW

WITH BILL MOYERS

Transcript, September 12, 2003

BRANCACCIO: When George Soros talks, people listen. He's near the top of FORBES' list of the richest people in the world with a net worth of \$7 billion.

Just to put that into perspective, there was one year when he reportedly made more money than McDonald's. We're not talking about your local franchise here. More money than the entire McDonald's corporation.

Making money, however, is not what keeps George Soros busy these days. Instead, he works on giving it away. He is famous for zeroing in on developing nations.

But now his focus is shifting to this country. He says America is disastrously off-course. Checkbook in hand, he's vowing to defeat George Bush next fall.

SOROS: The Republican Party has been captured by a bunch of extremists... People who maintain that markets will take care of everything, that you leave it to the markets and the markets know best. Therefore, you need no government, no interference with business. Let everybody pursue his own interests. And that will serve the common interest. Now, there is a good foundation for this. But it's a half-truth.

BRANCACCIO: George Soros says he's convinced the Bush administration is pursuing policies both foreign and economic that in Soros's experience, will be catastrophic.

Soros has been hailed as a international financial genius: "the world's greatest money manager" said the INSTITUTIONAL INVESTOR; one of the most influential philanthropists, according to TIME.

So he's not the kind of man you'd expect to be arguing that when it comes to free market capitalism, it's possible to have "too much of a good thing," that unchecked capitalism fails to provide for certain fundamental needs.

SOROS: We need to maintain law and order. We need to maintain peace in the world. We need to protect the environment. We need to have some degree of social justice, equality of opportunity.

The markets are not designed to take care of those needs. That's a political process. And the market fundamentalists have managed to reduce providing those public goods.

BRANCACCIO: Providing those public goods has long been at the top of his agenda for making the world a better place.

He not only wants more regulation of the global economy but he's also been an outspoken advocate of democracy throughout the world. In fact, he's been described as the only American citizen with his own foreign policy.

SOROS: I give away something up to \$500 million a year throughout the world promoting Open Society. My foundations support people in the country who care about an open society. It's their work that I'm supporting. So it's not me doing it. But I can empower them. I can support them, and I can help them.

BRANCACCIO: Indeed, over the past 20 years, Soros has given away more than \$4 billion of his personal fortune.

He's built a philanthropic network that spans more than fifty countries, promoting what he calls "open societies" with the goal of establishing democratically elected governments that respect human rights, the rule of law and market economies.

SOROS: And as long as there is enough support for it, then actually you can make a difference in the world. And I think we are succeeding in many of our efforts in making a difference.

BRANCACCIO: His foundations have sponsored thousands of development projects...everything from low-income housing construction in Africa to medical clinics in Russia to political movements worldwide.

As early as the 1970s, Soros gave money to dissident groups in the old eastern bloc, helping bring down those communist regimes.

Since 1987, he's pumped more than a billion dollars into Russia alone ... including his donation of \$500 million to fund health and education programs there.

And in 1993, when Sarajevo was under siege, his foundation built utilities to supply desperately needed water and electricity.

All that made possible by the staggering profits he earned directing his "Quantum" hedge fund. His personal fortune is estimated as high as \$7 billion and he pledges to give most of it away.

But his success in business has not been without controversy.

SOROS: I've been called as the man who broke the Bank of England when I attacked the sterling.

BRANCACCIO: In 1992, Soros made a spectacular bet, taking in a billion dollars on a hunch that the British pound would be devalued. Many blamed Soros for forcing the pound's fall.

But it was in France that Soros got into trouble with the authorities. In 1988, he was asked to join a takeover attempt of a French bank. He declined, but he did buy the bank's stock. Last year, a French court ruled that that was insider trading.

BRANCACCIO: Why should I believe you, when I've read, you say you did not conduct insider trading, instead of a French judge?

SOROS: Well, that's up to you. I was found guilty. I think, in a miscarriage of justice, frankly. And I'm fighting it. I'm appealing it, and I'll continue fighting it.

BRANCACCIO: Soros denies any wrongdoing and says news of the takeover was public knowledge. Nevertheless, he was fined more than \$2 million...roughly the amount French authorities say he made from the trades.

More than a dozen other people were investigated in the incident. All except Soros were either acquitted or pardoned.

SOROS: It is something that troubles me a great deal. And I'll fight it with all I've got. But the French judicial system is not perfect, either.

BRANCACCIO: Does it worry you, for instance, that maybe some of your actions in the past would have hurt some people, when you withdrew capital from certain countries?

SOROS: Yes. No, you see you can't... as a market participant, if you want to be successful, I think you just have to look out for your own interests.

BRANCACCIO: It sounds amoral.

SOROS: Pardon?

BRANCACCIO: It sounds amoral.

SOROS: It is amoral. Now, it's very often understood and understood as immoral. And that is a very different thing, being immoral. If you hurt people deliberately or you know, that's immoral. If you break the law, that's immoral. If you play by the rules, that is the market itself is amoral.

If you impose morality on it, it means that you are actually with your hands tied behind your back and you're not going to be successful. It's extremely hard to be successful.

BRANCACCIO: Do you think, on balance, that your philanthropic work counteracts the more ruthless decisions that you had to make when you were a financier?

SOROS: It is no connection whatsoever. I'm not doing my philanthropic work out of any kind of guilt or any need to create good public relations. I'm doing it because I can afford to do it, and I believe in it.

BRANCACCIO: Now retired from his job of making money, Soros is spending his time giving it away. And how he spends his money, he says, has a lot to do with his experiences growing up...surviving one of history's darkest periods.

George Soros was born into a well-to-do Jewish family in Budapest. When the Nazis invaded, Soros's father hid the children with sympathetic families.

BRANCACCIO: Do you see a thread that links your childhood experience with your career as a financier, with your philanthropy, and now political activist?

SOROS: Oh, it's a very strong thread, that leads right through. You know, I learned at a very early age that what kind of social system or political system prevails is very important. Not just for your well-being, but for your very survival.

Because, you know, I could have been killed by the Nazis. I could have wasted my life under the Communists. So, that's what led me to this idea of an open society. And that is the idea that is motivating me.

BRANCACCIO: At the London School of Economics after the war, he was exposed to the philosophy of the "open society."

That's been the basis of his philanthropy throughout the world. But the political struggle for an open society, says Soros, now has to be fought right here in the United States.

SOROS: The people currently in charge have forgotten the first principle of an open society, namely that we may be wrong and that there has to be free discussion. That it's possible to be opposed to the policies without being unpatriotic.

BRANCACCIO: And says Soros, the biggest obstacle to an open society is the Bush administration's philosophy that on both the domestic and international fronts, either you're with us or against us.

SOROS: You know, it's a distortion of what this country stands for.

BRANCACCIO: And that offends you?

SOROS: It offends me because I think it's a misinterpretation of what America's role in the world ought to be. We are the dominant power. And that imposes on us a responsibility to be actually concerned with the well-being of the world. Because we set the agenda.

And there are a lot of problems, including terrorism and weapons of mass destruction, that can only be tackled by collective action. And we ought to be leading that collective action, instead of riding roughshod over other people's opinions and interests.

BRANCACCIO: It's just so hard, Mr. Soros. I mean two years ago, a few blocks from where we're speaking right now, the World Trade Center came down. The notion that we should have harnessed our response to make nice with the world may be too much to ask.

SOROS: Maybe. Certainly, being nice to the world won't stop terrorism. So, we've got to fight terrorism. But how do you fight it?

If the terrorists have the sympathy of people, it's much harder to find them. So we need people on our side, and that leads us to be responsible leaders of the world, show some concern with the problems.

BRANCACCIO: Problems in places like Iraq, where, says Soros, the Bush administration's actions have alienated traditional allies and fueled anti-American sentiment.

SOROS: Now that we did not find weapons and there was no known connection with al-Qaeda, they say, "Well, we came to liberate Iraq, to introduce democracy, nation-building." But that's exactly what President Bush was opposed to in the elections. And it's a business that I am engaged in.

BRANCACCIO: You have wide credentials in this whole field of nation-building.

SOROS: This is where, you know, with all my experience, Iraq would have been the last place on earth that I would have chosen for introducing democracy.

I mean, democracy has to be built painstakingly and very slowly. And, you know, I've been engaged in that now for the last 15 years.

BRANCACCIO: This is a place with bitter religious rivalries, with even recent history as terrible animosity between groups in society.

SOROS: Right. So, it was a horrendous naiveté, actually, to think that you can go into Iraq and you can introduce democracy by military force.

BRANCACCIO: Could you share with me concrete ideas of things we should be doing in Iraq now?

SOROS: I think just one. We've got to get the United Nations involved. We have to transfer enough authority to the United Nations, to internationalize the issue. Because we cannot do it, and we should not do it alone. It was a mistake to do it alone. We have made the mistake. And the sooner we correct it, the better.

BRANCACCIO: So, you argue certainly don't withdraw our military forces from Iraq. It's gonna require more money.

SOROS: That's right. We have made a terrible mistake. And we have to pay the price. But we have to recognize that we've been very badly misled.

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BRANCACCIO: And says Soros, we've been badly misled by the Bush administration at home as well from its lack of regulation on Wall Street ... to the curtailment of civil liberties under the Patriot Act.

SOROS: I mean, you know, you pass the USA Patriot Act without proper discussion. And anybody who opposed it was accused of giving aid and comfort to the terrorists. So I think we've gone off the rail in this country.

BRANCACCIO: Yet the Patriot Act was passed with a lot of democratic support. There was debate, but not proper discussion you don't believe?

SOROS: Yeah, I mean, it was done in six weeks. Lawmakers didn't even get a copy of the bill. They couldn't even read it before it was passed.

Now, the Democrats caved in. I'm very critical of the Democrats. But of course, it was a moment of, I suppose, national calamity. It was a tragedy and people were very emotional. It's a traumatic event.

But there was a group of people who took advantage of it and who's been leading us in the wrong direction.

BRANCACCIO: All this has led Soros to conclude the most important thing he can do is stop George Bush.

SOROS: I think he's a man of good intentions. I don't doubt it. But I think he's leading us in the wrong direction.

BRANCACCIO: So just last month, Soros put his money where his mouth is one more time. He gave \$10 million to America Coming Together, a liberal coalition pledged to defeat the President in 2004.

SOROS: By putting up \$10 million and getting other people engaged, there's enough there to get the show going. In other words, to get the organizing going. Half of it still needs funding.

BRANCACCIO: What is the show? It's a get out the vote effort.

SOROS: Get out the vote and get people engaged on issues.

This is the same kind of grassroots organizing that we did or we helped in Slovakia when Mechar was defeated, in Croatia when Tudjman was defeated and in Yugoslavia when Milosevic was defeated.

BRANCACCIO: But gee whiz, Tudjman, Milosevic, George Bush, almost in the same phrase? Those are fighting words.

SOROS: But I do think that our leaders... If you take John Ashcroft, I don't think he's an Open Society person, Donald Rumsfeld...I do think that we have an extremist element in the government. I think that President Bush has been captured by these people as a result of September 11.

BRANCACCIO: But you really think that if it's true that the current administration has been hijacked by extremists, that the American public, which by and large in history doesn't tolerate extremism all that well, resents extremism, that the American public by and large wouldn't notice?

SOROS: I think that they are noticing it. I think that it's happening. And this is exactly why I think that people are about, may I say that, coming to their senses.

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And I think the moment of truth has come in Iraq. Because we really got into a terrible, terrible mess, into a quagmire. And our soldiers are at risk. But it's worse. Because our armed forces, the Army is at risk. In other words, our capacity to project power that it has greatly diminished because we have misused our power. And I think that people will wake up.

BRANCACCIO: Misuse of power, quagmire, a wake up call for reform: these are heavy assessments of the current state of American policy in Iraq. As for how it will turn out, even George Soros, who has gambled on the future so often and so well, ventures no specific prediction.

But Soros is very clear on what he believes should happen next.

SOROS: If we re-elect Bush, we are endorsing the Bush doctrine. And then we are off to a vicious circle of escalating violence in the world. And I think, you know, terrorism, counter-terrorism, it's a very scary spectacle to me.

If we reject him, then we are effectively rejecting the Bush doctrine. Because he was elected on a platform of a more humble foreign policy. Then we can go back to a more humble foreign policy. And treat this episode as an aberration. We have to pay a heavy price. You know, 100 billion dollars a year in Iraq. We can't get out of that. We mustn't get out of it.

But still, we can then regain the confidence of the world, and our rightful place as leaders of the world, working to make the world a better place.

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The Associated Press State & Local Wire

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SECTION: State and Regional

LENGTH: 202 words

HEADLINE: Dean hires Bradley manager, union assistant

DATELINE: BURLINGTON, Vt.

BODY:

Howard Dean has hired Bill Bradley's former national campaign manager who has been a political adviser to one of the unions that endorsed Dean last week.

Gina Glantz will be a senior adviser to Dean and will travel with him as he campaigns for the Democratic presidential nomination, the campaign announced Friday.

Glantz joins the staff Dec. 1.

She's currently assistant to the president of the Service Employees International Union, the labor group that helped to solidify Dean's status as the Democratic front-runner when it endorsed him earlier in the month.

Glantz has been advising SEIU President Andy Stern on strategic issues and political action.

"All my political life, I have worked for an America that respects workers, provides health care and ensures women's and civil rights for everyone," Glantz said in a statement released by the Dean campaign. "The opportunity to be part of this extraordinary movement to involve millions of Americans that Howard Dean has created and to accomplish those goals is incredibly exciting and, I know, will be extremely rewarding."

Dean welcomed Glantz. "Gina is a talented political professional with a strong record of leadership," he said.

Soros, Lewis Push Campaign Law Limits to Counter Bush
(Update1)

Bloomberg News Wire
October 28, 2003

Peter Lewis found Karl Rove's strategy for getting President George W. Bush re-elected so compelling that the billionaire businessman decided to donate \$10 million -- to try to defeat Bush.

Lewis, chairman of auto insurer Progressive Corp., read in the May 12 New Yorker magazine that Rove, Bush's top political adviser, planned to pursue such traditional Democrats as Jewish voters and non-white businessmen and to limit trial lawyers' clout as donors to the party, among other tactics.

Lewis, 69, who owns \$1.4 billion of Progressive's shares, and financier George Soros pledged \$10 million each to a new political organization, America Coming Together. The group's aim: mobilize people to vote against the president by raising \$75 million -- more money than any political committee has assembled for a campaign, aside from the Democratic and Republican national organizations themselves.

Rove "had great ideas, and his man is president, God bless him," Lewis, a backer of the American Civil Liberties Union and of marijuana decriminalization, said in an interview. Forming America Coming Together "is the ultimate compliment" to the Republican strategist, Lewis said.

'Soft Money' Ban

America Coming Together's emergence illustrates how Democrats and Republicans are finding ways to circumvent campaign-finance restrictions designed to rein in spending that reached an estimated \$2.9 billion on federal elections in 2000.

The group may be the Democratic Party's best hope for financing a campaign to oust Bush, who is already shattering fund-raising records a year before the presidential election. Bush raised \$49.5 million in the third quarter of this year alone, more than all nine of his Democratic rivals combined.

The organization and others, such as Voices for Working Families, backed by organized labor, are classified as "527" groups, named for the tax-code provision under which they were created.

That designation prohibits them from coordinating activities with the Democratic or Republican parties, yet it allows them to collect unregulated, unlimited "soft money" donations. The groups can sidestep a law enacted a year ago, the so-called McCain-Feingold legislation, that bans such money from going to national party-linked organizations.

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Their tactics will include door-to-door campaigns, phone calls and direct mail to target millions of voters in states such as Ohio, Pennsylvania and Florida.

Controlling the Dialogue

The ``527'' organizations will help boost the financial firepower of the Democrats against a president who has built a \$60 million fund-raising advantage over his nearest Democratic competitor, Howard Dean. Bush has raised more than \$90 million so far this year, almost as much as the \$94.5 million he raised during the 2000 election.

Among other steps, the president's campaign is encouraging Republicans such as Merrill Lynch & Co. Chief Executive Stanley O'Neal and Bear Stearns Cos. Chief Executive James Cayne to build networks of donors to solicit thousands of contributions at the legal \$2,000 maximum.

If Bush ``has so much money and Democrats do not have any significant amount, he will be able to control the dialogue of the election," said Ellen Malcolm, president of America Coming Together, in an interview.

Republicans say the new laws show the Democrats have a narrow base of support.

'Very Wealthy People'

``The Democratic Party is funded by a very small number of very wealthy people," said Christine Iverson, a spokeswoman for the Republican National Committee in Washington. ``Campaign finance reform has caused them problems."

Lewis, whose company is the third-biggest U.S. auto insurer, said he was mainly driven to donate to the new organization by concern that the Patriot Act is eroding civil liberties. That two-year-old law gives the government more leeway to monitor foreign nationals in the U.S.

Soros, chairman of Soros Fund Management LLC, the world's biggest hedge-fund group, says the Bush administration is losing international respect through actions such as invading Iraq without the United Nations' endorsement. Soros has a net worth of \$7 billion, according to Forbes magazine.

``We need a different vision of America's role in the world," Soros said during a speech in Washington last month. He declined to be interviewed.

Same Building

America Coming Together, also backed by the Service Employees International Union and the Sierra Club, says it's taking pains to ensure it doesn't coordinate with the Democratic National Committee or presidential and congressional candidates, because such activity is now banned.

That's not easy. The group's headquarters is two blocks from the White House on the fourth floor of 888 16th Street in Washington. The Democratic National Committee is temporarily housed on the seventh and eighth floors of the same building while its new Capitol Hill headquarters is under construction.

The labor-backed Voices for Working Families has New Mexico Governor Bill Richardson as a vice president. Richardson will be chairman of the Democratic Convention, which picks the party's presidential nominee when it meets in Boston on July 26-29.

"That's a very honorific post. It's not a policy post," Richardson said of his convention chairmanship.

No Talking

America Coming Together's lawyer, Larry Gold, sits in a room near the office entrance. One of his tasks: preventing DNC and America Coming Together employees from talking to each other, said Steve Rosenthal, chief executive of the "527" group.

Avoiding the appearance of communication between "527s" and political parties may be a tough task, a spokesman for the Federal Election Commission said.

"It is a fairly small community of people who are involved in politics," said Bob Biersack of the FEC, which enforces U.S. election laws.

The group will attempt to emulate the success that the Republicans, under Rove's direction, had in mobilizing voters in the 2002 elections, where the party recaptured control of the Senate and added to its majority in the House of Representatives, Rosenthal said.

America Coming Together's "aim is to cobble together a majority of voters who fully understand what the Bush agenda is," said Rosenthal, former political director of the AFL-CIO, the largest federation of labor unions.

Rove didn't respond to two requests by telephone for interviews.

Money Politics

Senator Russell D. Feingold, one of the sponsors of last year's Bipartisan Campaign Reform Act, said he's not surprised by the expansion of "527" groups since the law's passage.

"The soft money ban was designed to break the connection between big money and elected officials, not to dry up or clamp down on political activism," said Feingold, a Wisconsin Democrat, who sponsored the law along with Senator John McCain, an Arizona Republican.

Still, the Federal Election Commission ``must carefully monitor these groups to make sure they are acting completely independently of the parties," Feingold said in a statement e- mailed to Bloomberg News.

The McCain-Feingold law is being challenged before the Supreme Court by groups including the U.S. Chamber of Commerce, the American Civil Liberties Union and the National Rifle Association. A ruling is probable before next year's presidential campaign gets into full swing.

Six-Figure Checks

Democrats have been more successful at raising large, unregulated contributions from donors. In the 2002 elections, they raised \$185 million from the ``527" organizations, more than twice as much as Republicans, according to the non-partisan Center for Public Integrity, which tracks soft money.

In addition to preventing national party committees from accepting soft money, the McCain-Feingold law sets limits for individual contributions to parties at \$25,000 a year. That's hurting the Democrats' ability to raise cash.

``In the old days, you could go to someone and write a check for a six-figure amount," said Hassan Nemazee, chairman of Nemazee Capital Corp. of New York who has been asked by the Democratic National Committee to raise money. ``It's obviously a little more difficult today."

Republicans are also using the McCain-Feingold law's loophole to raise funds.

Law is Working

Since the legislation was enacted last November, three of the top four ``527" groups in raising money have been Republican- leaning. The biggest recipient of funds is the Republican Governors' Association, which raised \$6.8 million for statewide races, the Center for Public Integrity said last month.

``There is no doubt but for McCain-Feingold there wouldn't be these organizations," said Larry Noble, executive director of the center and a former general counsel at the FEC. ``It would all go to the parties as soft money."

The campaign-finance law is working because it has removed lawmakers from the party fund-raising process, said one of the drafters of the legislation.

``The McCain-Feingold bill was not intended to drive money from politics," said Trevor Potter, a former FEC chairman who worked for McCain. ``It was intended to drive corrupt fund raising from politics which made pawns out of members of Congress. George Soros has a constitutional right to spend \$10 million."

Soros, Labor Pooling Efforts

Liberal Group Targets 17 States

By Chris Cillizza
ROLL CALL STAFF

Beginning Oct. 1, the bulk of operations of the Partnership for America's Families, a fundraising entity with strong ties to organized labor, will be folded into a broader group funded by financier George Soros.

Originally envisioned as a liberal voter identification and mobilization operation targeting three to five states in the 2004 elections, the remaining resources of the labor group will now focus almost exclusively on registration efforts in urban areas, officials said Wednesday. The larger-scale targeting operation will fall under the purview of Americans Coming Together, a conglomerate of labor, environmental and women's groups that plans to spend \$75 million developing turnout organizations in 17 states for the 2004 election.

"This kind of focus on retail politics, the nuts and bolts of talking to voters personally, is unprecedented," said partnership spokeswoman Sujata Tejwani. "The partnership is very excited about its role in increasing the number of progressive voters across the country with our registration and mobilization project."

Continued on page 25

Continued from page 1

states. Our efforts will complement the larger statewide efforts that ACT is implementing."

Questions still remain, however, about how the partnership, ACT and a number of other organizations founded by prominent Democratic operatives will synchronize operations and share responsibilities.

Steve Rosenthal, a former political director at the AFL-CIO, will serve as CEO of ACT but will retain his post as president of the partnership. Tejwani, as well as partnership Political Director JoDee Winterhof, will play similar roles with ACT.

Although the existence of ACT — and Soros' financial commitment to it — has been known since August, few details had previously emerged about its structure and goals.

The group will have two components: a federal political action committee that will report its donation and expenditures to the Federal Election Commission and a nonfederal, 527 arm that will file its activities with the Internal Revenue Service.

The federal end of the operation can only accept contributions totaling \$2,000 per election cycle; the 527, however, can accept unlimited donations.

The group's structure resembles those of two other Democratic fundraising groups established by high-level former Senate and House staffers.

Both the Democratic Senate Majority Fund and the New House PAC have actively been raising hard dollars into the federal portion of their groups but have done little nonfederal, soft-money fundraising to this point.

All of these groups are seeking to capitalize on the restrictions placed on national party committees by the Bipartisan Campaign Reform Act, passed in the 107th Congress.

Under the law, the committees can neither raise nor spend soft money.

A look at the fundraising for the first three months of the partnership shows strong fundraising potential for these groups.

Between April 1 and June 30, the partner-

No blueprint has yet emerged separating power and diagnosing which groups will handle specific activities; One Democratic strategist compared trying to divine the roles of the various groups to a game of three-card monte. 'Which shell is the million dollars hiding under?' the strategist quipped.

ship brought in roughly \$1.3 million, largely from three major pillars of the labor movement: the AFL-CIO, the Service Employees International Union and the American Federation of State, County and Municipal Employees.

The \$700,000 remaining in the partner-

ROLL CALL POLITICS Thursday, September 18, 2003

Liberal Groups Still Working to Synchronize Efforts

til the end of 2003.

Some Democrats worry that with many groups seeking to collect the soft money that had previously been channeled to the party committees the effectiveness of any individual organization could be limited.

Currently, ACT, VWF, partnership, America Votes (being headed up by Cecile Richards, a former deputy chief of staff to Minority Leader Nancy Pelosi and daughter of former Texas Gov. Ann Richards), and Grassroots Democrats, which is co-chaired by former Democratic National Committee official Joe Carmichael and Communications Workers of America President Morton Bahr, are all competing for soft dollars to fund activities surrounding the 2004 elections. And no blueprint has yet emerged separating power and diagnaming which groups will handle specific activities.

One Democratic strategist compared trying to divine the roles of the various groups to a game of three-card monte.

"Which shell is the million dollars hiding under?" the strategist quipped.

Other Democrats noted that attempting to recreate an effective infrastructure outside the bounds of the Democratic Party is a huge undertaking that these groups are attempting to do in a compressed period.

Former Democratic Congressional Campaign Committee Executive Director Howard Wolfson expressed admiration for the efforts so far.

"It is not easy to establish a new organization in the time frame these organizations have been established and they are doing a great job," Wolfson said.

ship's coffers at the end of June will not be transferred to ACT, sources said Wednesday, but money doesn't appear likely to be a problem for ACT.

Seeded by \$20 million from Soros and a handful of other wealthy entrepreneurs, ACT is expected to be the primary conduit for huge soft-money donations from the labor movement as well as groups like EMILY's List and the League of Conservation Voters.

Already, SEIU has pledged \$8 million to the effort.

Ellen Malcolm, the president of EMILY's List, will take on the same role for ACT and is seen as the driving force behind the effort to organize the disparate Democratic interest groups into a cohesive unit.

Using its financial might, ACT is seeking to boost the progressive vote in 17 states: Iowa, Maine, Michigan, Minnesota, New Mexico, Oregon, Pennsylvania, Washington, Wisconsin, Arizona, Arkansas, Florida, Missouri, Nevada, New Hampshire, Ohio and West Virginia.

The reduced role of the partnership comes after a summer of controversy that pitted Rosenthal against AFSCME President Jerry McEntee.

McEntee resigned as chairman of the partnership's board in May after accusing Rosenthal of not doing enough to reach out to minority voters.

After AFL-CIO President John Sweeney convened a meeting between Rosenthal and McEntee, the AFSCME president went on to form his own 527 group — Voices for Working Families. VWF was officially founded Aug. 8 but will not file a financial report un-

THE HILL

October 23, 2002

Both parties race to set up new soft-money mechanisms

By Alexander Bolton

Both major political parties and their closest allies are racing against a Nov. 5 deadline to set up organizations able to raise unlimited amounts of soft money.

The drive to set up alternative mechanisms to collect these unregulated funds is aimed at helping federal candidates in 2004 and beyond - when lawmakers themselves will be barred under the recently enacted campaign finance law from soliciting such unrestricted donations directly.

Meantime, the prohibition on soft-money fundraising by political parties is creating a void that's certain to spark power struggles among operatives and allies seeking to position themselves as the future power brokers for the parties.

"I predict there will be a lot set up for the House and Senate and not just by the campaign committees themselves, so nobody can predict which of these will be effective or not effective," said Sen. Bill Frist (R-Tenn.), chairman of the Senate Republican fundraising committee. "The deadline is Nov. 5, so there is appropriate rush to both design and file these organizations.

Earlier this year, the leaders of the campaign finance reform effort, Sens. John McCain (R-Ariz.) and Russ Feingold (D-Wis.), hailed its passage as the death knell for soft money.

The reformers originally believed that the kind of end around groups now being formed would be illegal under the legislation enacted by Congress earlier this year and signed by President Bush. However, a series of rulings by the Federal Election Commission (FEC) has reinstated the loophole.

Thus, the contributions they sought to ban are poised to flow through new channels, even before the law takes effect, while it is still being challenged in the courts.

Officials at the National Republican Senatorial Committee and the Democratic Senatorial Campaign Committee (DSCC) are exploring the creation of fundraising groups run by their allies outside the formal party structure.

On the House side, Susan Hirschmann, former chief of staff to Majority Whip Tom DeLay (R-Texas), will spearhead a unified effort to legally raise soft money to help

Republican candidates.

While House Democrats, stymied in part by uncertainty over whether Minority Leader Dick Gephardt (D-Mo.) will step down to run for president, have made the least progress designing soft-money conduits for next year, having held only loose discussions on the topic, a senior party source said.

The new soft-money groups, to be organized under sections 527, 501(c)(4), and 501(c)(6) of the tax code, will raise money for issue advertisements and voter contact programs that are now mostly funded by the parties themselves.

At the height of this election season, party officials have escalated preparations for the 2004 election, because they will be prohibited from setting up soft-money groups after Nov. 5.

Under a recent controversial FEC ruling, soft-money groups created by the parties before that date may continue to operate as long as the parties no longer formally control them.

"We want to make sure there are adequate conduits for our supporters to help get our message out, so we can compete with what they're doing on the other side," said Rep. Tom Davis (Va.), chairman of the National Republican Congressional Committee. "We're having stuff set up right now."

"We're making sure there are appropriate routes so that issue advocacy continues," he added. Davis said the entire House GOP leadership is involved in the effort.

But campaign finance reformers are protesting loudly, arguing that organizations set up by the party fundraising committees will not be independent, as required by the new law.

"The law said a party cannot directly or indirectly create an entity that raises soft money, any party that does that is in violation of the law," said Fred Wertheimer, who helped draft the law as president of Democracy 21, a campaign finance watchdog. "Under this statute, parties cannot set up a sham affiliate to do its soft-money raising and spending," he added.

Speaker J. Dennis Hastert (R-Ill.), Majority Leader Dick Arney (R-Texas) and Majority Whip Tom DeLay (R-Texas) currently control separate soft-money political action committees (PACs) that have raised hundreds of thousands of dollars for favored candidates. However, under the new law, they must relinquish control of those groups after the 2002 election.

Some party officials want House Republican leaders to unite their fiefdoms under one organization, such as the one that Hirshmann, now a lobbyist with the law firm of Williams & Jensen, plans to set up.

To do so, such allies of Republican leaders in the lobbying community, as Dan Mattoon

of PodestaMattoon and former Rep. Bill Paxon (R-N.Y.) of Akin, Gump, would direct donors to fund that organization. It would then serve as the preeminent soft-money fundraising vehicle on behalf of House candidates.

Hirshmann said House Republicans had not settled on the type of group they would use to get their messages out to voters.

"I'll continue to raise a lot of money to get that message out," she said. "I don't know if the mechanisms of how to do that will be determined yet. I don't think any final decisions have been made."

For his part, Frist said party officials are looking at a number of groups with plans to raise soft money to help the party.

"We have done nothing formally as the Republican National Senatorial Committee [NRSC]," he added. "We won't participate formally in filing a plan but we will have our legal group over there reviewing them to make sure they are consistent with expressing Republican interests. I don't know which one, but it will be done in the next two to three weeks."

Frist added that as of now there's not a single NRSC-sponsored plan. One Senate Republican source said the committee is looking at relying on political advocacy [501(c)(4)] or lobbying [501(c)(6)] organizations.

"[The new law] really puts outside interest groups in a much stronger position to control the marketplace of ideas," said the GOP aide. "There is a desire by the party to be involved in that."

A former high-ranking official in the Clinton administration, who will be involved in redesigning the political fundraising landscape next year, said top donors and officials at the DSCC are looking at setting up a soft-money fundraising organization for Senate Democrats.

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27044171958

New Ways To Harness Soft Money In Works

Political Groups Poised To Take Huge Donations

By THOMAS B. EDSALL
Washington Post Staff Writer

Some of the biggest names in Republican and Democratic circles are establishing new groups to collect and spend the unlimited political donations that are supposed to be curbed by the recent campaign finance law.

White House political operatives, high-profile lobbyists, former aides of President Bill Clinton and staffers at the Democratic and Republican senatorial campaign committees are setting up tax-exempt organizations to raise and spend "soft money." That term refers to the large sums collected from corporations, unions, trade groups and individuals outside the normal limits on donations to federal campaigns.

One of the new organizations, Progress for America, is operating from the downtown offices of a company run by Tony Feather. He was the political director of the Bush-Cheney 2000 campaign and remains a close ally of Karl Rove, President Bush's top political aide.

Democrats are busy, too. Three former high-ranking aides of Clinton—Harold Ickes, Doug Sosnik and John D. Podesta—are working to set up a Democratic soft-money operation with the goal of running pro-Democratic "issue ads." The three are part of the informal brain trust of Democratic National Committee Chairman Terence McAuliffe.

These efforts underscore the vital role that soft money has played in recent presidential and congressional elections. Until now, the Democratic and Republican parties have

New Ways to Harness Soft Money in the Works

DONORS, From A1

been the primary recipients and spenders of such funds, which totaled about \$500 million in 2000. Soft money has been used to finance mass get-out-the-vote programs and ads that have been cloaked as issue discussions but are actually aimed at helping or hurting particular candidates.

The McCain-Feingold campaign finance law—a bitterly debated measure that will take effect on Nov. 6—was meant to sharply restrict the influence of such money, mainly by forbidding the parties from raising and spending it.

That's why political activists on both sides are frantically creating new groups to fill the gap, using provisions of the tax code that allow the creation of tax-exempt organizations that they say are not covered by the new law. These groups can raise and spend soft money as long as they do not coordinate their efforts with the political parties or candidates, according to officials involved in these undertakings.

The officials describe their initiatives as a way to make sure soft money is used on behalf of the broad interests of the two parties, not just the interests of ideological groups on the left and the right. Democrats also contend that the party faces the prospect of being overwhelmed in 2004 by a Bush re-election organization equipped to raise \$200 million to \$300 million. Without some soft money support, the Democratic presidential candidate will be unable to compete, they say.

"It's very clear that there are going to be a proliferation of special interest committees to pick up where the parties were before on soft-money funding," said GOP lobbyist Vin Weber. "The law is going to spawn a lot of efforts to fill the gap in party financing, and the gap should be filled by entities generally committed to the broad interest of the parties."

But supporters of the McCain-Feingold measure fear that these efforts might undermine the purpose of the law by creating new conduits for soft money that require less public disclosure than was required before the legislation was enacted. They contend that these activities are purposeful evasions of the law, encouraged by the weak enforce-

ment regulations issued by the Federal Election Commission.

"To the extent the parties are planning a massive evasion scheme, they are planning massive illegal activity and they will be challenged," said Fred Wertheimer, president of Democracy 21 and former president of Common Cause.

Progress for America (PFA) is precisely the type of organization at issue.

It has raised millions of dollars, which it uses to promote Bush's agenda of tax cuts, energy legislation, conservative judicial appointments and free trade.

Although it takes unlimited donations from corporations and individuals, it discloses neither its contributors nor its expenditures.

Feather, in an interview, said PFA is simply a vehicle for building grass-roots support for Bush's policies. Many other Republicans, however, described it as the first organization designed to capture some of the soft money that the political parties will be barred from accepting after Nov. 6.

PFA has strong ties to the Republican establishment. Its spokesmen include Ken Adelman, the top arms control officer in the Reagan administration. White House operatives, such as Rove and political director Ken Mehlman, have addressed private PFA briefing sessions at the Hay Adams Hotel.

Progress for America isn't the only Republican-related group in the scene. Weber is working with lobbyists Ed Gillespie and Bill Paxon to build an organization to back GOP candidates. Gillespie has strong ties to both the Bush administration and the Republican House and Senate leadership. Weber and Paxon are former House members with extensive ties to the GOP establishment.

The clients of these three lobbyists alone gave \$19.4 million in soft money during the 1999-2000 election cycle, according to the Web site of PoliticalMoneyLine.

Simon B. Rosenberg, president of the centrist New Democrat Network, said: "The center is going to have a hard time holding in the new system. Interest groups will be more powerful tomorrow than today, and there will be a real tug to pull candidates to the extremes."

Rosenberg and others contend

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Backers Say Groups Not Covered by Soft-Money Ban

DONORS, From A6

that the flow of soft money that had gone to the parties will likely go to ideological and single-interest groups that take polarizing stands on guns, abortion, school prayer, unions and taxes, effectively driving the politicians receiving the money further to the right or the left.

To counter this, he said, the New Democrat Network will substantially expand its soft-money fundraising and will add "an aggressive paid media component to our activities." He added: "Our hope is that it will be in the millions of dollars."

From the more liberal wing of the Democratic Party, Mike Lux, a former Clinton aide and a former political director for People for the American Way, said he and his allies plan to unveil two projects in September—which will tap liberal soft-money donors—to fill the "need for more infrastructure on [the] progressive side of things." "What I hope," Lux said, "is that, unlike so many times in the past, those on the progressive side will actually coordinate."

One affiliate of the Democratic National Committee—the Association of State Democratic Chairs—has already taken formal steps to create a separate organization, the Democratic State Party Organization (DSPO), to raise contributions, including soft money, for get-out-the-vote and voter registration activities.

"We must chart a new path after campaign finance reform," said Joe Carmichael, the Missouri Democratic chairman who will run the DSPO, which will be headquartered in Washington and will register with the Federal Election Commission as a political committee. "Without an organization such as DSPO, grass-roots activities and participation would be eradicated and replaced by television-only campaigns."

To preserve their ability to raise soft money,



HAROLD ICKES



KARL ROVE

FILE PHOTOS

both the Democratic and Republican governors' associations are severing all ties with the Democratic National Committee and the Republican National Committee, respectively. The groups will have to live within the new law's restriction on "issue ads" financed with soft money within 60 days of a general election or 30 days of a primary.

Both the Democratic and Republican senatorial campaign committees are exploring the creation of separate soft-money funds. Officials of the Democratic Senatorial Campaign Committee declined to discuss the work of staffers and consultants on the subject. Monica Dixon, a consultant to the DSCC, has been working on plans to channel soft money in support of Democratic Senate candidates, but she did not return phone inquiries.

Alex N. Vogel, general counsel for the National Republican Senatorial Committee, said: "We are looking at all the options for the committee, post-McCain-Feingold and post-Election Day."

A central factor shaping the new organizations is deciding how much information to dis-

close to the public. A number of operatives would prefer not to reveal the sources of the money raised or the details of how it is spent. They say they are likely to form "510c4's," tax-exempt advocacy organizations under the tax code.

Others, including Weber, Rosenberg and officials of the DSPO, say they intend to make this information publicly available by setting up what are called "527" committees, which must make regular disclosures to the Internal Revenue Service, or traditional political committees, which report to the Federal Election Commission.

Progress for America has rejected the disclosure option, and its leaders show little appetite for publicity. Adelman, who noted that he is the group's chairman, said he knows neither the organization's budget nor its sources of financial support.

"I can't tell you off the top of my head," he replied, when asked who was giving to PFA. "We get private donations from businesses and individuals."

Adelman could not remember the phone number of Progress for America, the name of the woman who runs it (Jennifer Oschal) or its address; he had to look them up in his directory. Oschal did not return a phone inquiry. At the office building address Adelman provided, the high-rent Lafayette Center complex in downtown Washington, there is no listing for Progress for America.

Instead, on the center's mezzanine floor, there are offices belonging to FLS-DCI, Feather's firm. Feather described PFA as a "a grass-roots organization that supports the president's agenda." Asked to provide its membership roster or to release the names of its donors, Feather—noting that PFA has been organized under the 501c4 provisions of the tax law, which do not require such public disclosure—said, "No."

ROLL CALL

NRCC Quietly Gives \$1 Million to New 527

November 7, 2002

By John Bresnahan

In a last-minute move prompted by the new ban on soft-money contributions, the National Republican Congressional Committee has quietly given \$1 million in soft money to a recently created group run by a former aide to House Majority Whip Tom DeLay (R-Texas).

The NRCC gave the \$1 million to the Leadership Forum, a new 527 organization headed by Susan Hirschmann, who was DeLay's chief of staff until late August. Hirschmann is now a lobbyist with the firm Williams & Jensen.

Former Rep. Bill Paxon (R-N.Y.), a close DeLay ally and a lobbyist with Akin, Gump, Strauss, Hauer & Feld, serves as the vice president of the organization. Paxon ran the NRCC from 1993 to 1996.

The \$1 million gift is soft money from the NRCC's building fund several GOP sources said, although NRCC officials declined to comment publicly on the gift or what campaign account it came from.

Building-fund donations are supposed to pay for building upkeep for the NRCC. It is unclear if there are any restrictions on how the funds can be used. But the Leadership Forum may be taking over some administrative functions currently done by the NRCC, said several GOP sources, which is unexplored legal territory.

The NRCC has raised at least \$63.3 million in soft money this cycle, according to an analysis of the latest disclosure reports by the Center for Responsive Politics. More than \$4 million has been raised for the building fund.

NRCC officials expect to have spent nearly all of that soft money on Tuesday's races, although several GOP strategists believed there were large hard-money, soft-money swaps with the state parties, which can still use soft money despite the federal ban.

A lawyer for the Leadership Forum, Randy Evans, did not address the NRCC contribution directly, but he did say that the group would comply with any new campaign finance regulations currently being developed by the Federal Election Commission. There is widespread confusion about what is allowable right now in terms of soft-money activity.

"Nothing in [McCain-Feingold] restricts a private citizen from being a member or a leader of a political organization. Nor does any other federal law," said Evans. "What is not permissible is the coordination of political activities with officeholders or party leaders, so obviously we will not engage in this type of coordination."

Hirschmann and Paxon will now have to be extremely careful about what kind of contacts they have with DeLay and other GOP leaders. But informed sources say there is no restriction on DeLay or other House Republicans from attending Leadership Forum events, or even having his name on the invitations, as long as he does not raise money directly for

the group.

Both the NRCC and its Democratic counterpart, the Democratic Congressional Campaign Committee, as well as the Senate campaign and national committees, have been scrambling to set up new entities to take in soft money. Under the McCain-Feingold law, the national parties and Members of Congress are not allowed to raise soft money, the unregulated contributions from labor unions, corporations and wealthy individuals.

For instance, Monica Dixon, a onetime DCCC political director and aide to former Vice President Al Gore, registered the Democratic Senate Majority PAC-Nonfederal Account with the Internal Revenue Service this week. Dixon used the address of Perkins Coie, a law firm that does most of the legal work for Democratic leaders and campaign committees, for her new organization.

Two other new 527s, one for House Democrats and another called the Democratic Issues Agenda, were also registered using the Perkins Coie address.

Steve Rosenthal, the outgoing head of the AFL-CIO's political operation, may set up his own 527 as well, although he has not done so yet.

The New York Times recently reported that Democratic National Committee Chairman Terry McAuliffe urged big donors to raise \$40 million for the Democratic State Party Organization, another 527, although McAuliffe denied using that figure.

Susan Crabtree contributed to this report.

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ROLL CALL

GOP Leadership Races Heating Up

November 11, 2002

By Susan Crabtree

While most House Republicans are savoring last week's historic victories, a handful of ambitious GOP lawmakers have sharpened their campaign tactics as they furiously buttonhole colleagues in the final days before Wednesday's leadership elections.

Although Majority Leader Dick Armey (Texas) and GOP Conference Chairman J.C. Watts (Okla.) will retire at the end of the session, and National Republican Congressional Committee Chairman Tom Davis (Va.) has decided to give up the post, just weeks ago the process to fill their seats at the leadership table appeared relatively smooth and free from the usual negative hardball campaign tactics.

The moderate faction of the Republican Conference voiced criticism early on when current Majority Whip Tom DeLay (Texas) and Chief Deputy Whip Roy Blunt (Mo.) raced to cement their joint ascendancy to the No. 2 and No. 3 leadership positions, respectively, after Armey announced his retirement last year.

By now lawmakers have had ten months to get used to the idea and barring any unforeseen events, the two will win their respective titles with minimal effort or fanfare this week.

Blunt only increased his currency by breaking election-year records in the Battleground 2002 fundraising program he spearheaded. The program raised a total of \$23.9 million, including an unprecedented \$16.4 million in hard money.

But in the three contested leadership campaigns, there have been a series of late developments.

Current Conference Secretary Barbara Cubin (Wyo.) dropped out of the race for the vice chairman slot last Thursday. She decided to spend more time with her husband, who has been seriously ill for the past two years.

After such a successful election, the race to lead the National Republican Congressional Committee has taken center stage.

NRCC

Davis has been basking in the glow of last Tuesday's historic outcome. But his departure has been planned for at least a year and a half - the same amount of time that the two candidates have been waging aggressive campaigns for the critical leadership post.

Reps. Tom Reynolds (N.Y.), and Jerry Weller (Ill.) have directed a combined total of some \$3 million to GOP incumbents and challengers this cycle. Reynolds said he contributed \$530,000 to candidates from his political action committee and raised \$1.1 million on behalf of candidates, while Weller said he doled out \$456,000 from his personal committee and leadership PAC and raised nearly \$1 million for candidates.

Reynolds remains the odds-on favorite and is unofficially the candidate of choice among GOP leaders, but Weller, the current NRCC finance chairman, has campaigned relentlessly and has kept the contest alive. Both candidates crisscrossed the country, appearing at events for candidates and cutting checks at a furious pace.

With Weller as finance chairman, the NRCC raised a record \$163 million overall. His spokesman, Ben Fallon, said that accomplishment has helped his boss' support reach "the triple digits."

"Jerry Weller was on the road 160 days and he was in every targeted race in the country," he said.

Other GOP leadership aides brushed aside such claims, stating flatly that Reynolds will be the next chairman.

Another Republican staffer noted that the timing of Reynolds' Wednesday luncheon for incoming freshmen, which will occur from 12:30 to 1:30 p.m. - right before Republicans meet to hear the last pitches from candidates and vote - demonstrates that he is still campaigning hard for the job.

Reynolds would not release his numbers, but said he is optimistic about the vote and "couldn't be happier" about where he stands in the homestretch.

The winner will be forced to operate in a dramatically new fundraising world. Right after the midterm elections, the new campaign finance law took effect that bars national party organizations from raising or spending soft money.

Reynolds said that, if elected, he would help the party committee become "a smaller, smarter, leaner NRCC."

"We're going to have to watch very closely with our counsel about the new law and watch what the courts rule about the constitutional issues it raises, as well as the [Federal Election Commission's] new regulations," he said. "We are going to make sure we are in compliance."

In his finance chairman role, Fallon said that Weller has been "leading the charge" to make the transition to hard money. For instance, he organized a sendoff event for Armey and Watts that raised several million dollars, the majority of which was hard money contributed from thousands of individual donors who flew in from around the country for the event.

"That's really the future of fundraising," Fallon said.

Reynolds, who has organized some of the largest fundraisers of the year, heaped praise on Davis.

"Davis as chair has produced tremendous results, and I'm just proud to play a small role in it as the chairman of the NRCC executive committee," he said. "Our success in the majority has been the teamwork from everybody from the Speaker to the newest Member."

Despite the soft money ban, numerous shadow organizations cropped up in the days leading up to Nov. 6, when the new law took effect. These groups maintain they are separate from lawmakers and political organizations, but are either run by former staffers of lawmakers or political organizations and operatives close to them.

When asked how his boss views this practice, Fallon said Weller would watch and see how

the new regulations are written and interpreted.

"We're in uncharted territory right now,"he said.

As one of the Members who signed off on the decision to send \$1 million in soft money from the NRCC's building fund to one of these new political groups, the Leadership Forum, Reynolds defended the decision.

"I supported the vote,"he said. "The building fund had to be disposed of. We followed the letter of the law."

Speaker Dennis Hastert (Ill.) and DeLay, who is set to move into the Majority Leader position Wednesday, have repeatedly vowed to remain neutral in the races.

But some GOPsources familiar with the campaigns claim that DeLay staffers have advised at least a couple of newly elected freshmen to support Reynolds and current Vice Chairwoman Deborah Pryce (Ohio), who is trying to succeed Watts. Rep. J.D. Hayworth (Ariz.) is running an intense campaign against Pryce and Rep. Jim Ryun (Kansas) in the Conference chairman race.

DeLay's aides flatly deny contacting freshmen or any other Members about the leadership positions.

"Tom has good relationships with everyone involved in the leadership elections,"said DeLay Chief of Staff Tim Berry. "I think most of [the candidates] have worked in the whip organization and have done a great job. For that reason he thinks they will make excellent choices and has not gotten involved in the races at all."

Conference Chairman

Hayworth, Pryce and Ryun spent many hours on the phone in the past week, canvassing newly elected freshmen and undecided lawmakers, in an effort to expand their level of commitments.

Pryce spokeswoman Jessica Incitto said late last week that her boss was approaching 140 commitments in the Conference, while Hayworth claims 83. Ryun will not release his numbers, but he has earned the support of Republican Study Committee Chairman John Shadegg (Ariz.),who likely adds at least a dozen lawmakers to Ryun's camp, estimated by some to be roughly 40 Members strong.

But some Members have clearly given commitments to more than one candidate in the race, which will be decided by secret ballot, because there are expected to be only about 228 Republicans in the new House (depending on recounts, a runoff and a special election).

If Hayworth's and Ryun's commitments pan out in the ballot box, they would have enough combined support to throw the election to a second ballot, with the top two votegetters contending for the title.

The already-furious campaigning increased this week as the three candidates sent out a flurry of letters and material to colleagues. Hayworth plans to send a video of himself talking about his qualifications, while Pryce will send out an 11-page bound outline of her plans for the position - complete with color photos of her with President Bush and various GOPleaders.

The gloves also appear to be officially off in a campaign that had already experienced attacks on Pryce's decision to adopt a newborn baby last year and the time constraints

some conservative members of the caucus believed the leadership position would place on her.

The day after the election, Hayworth sent a letter taking Pryce and Ryun to task for failing to make TV appearances and demonstrate a commitment to communicating the GOPmessage.

"In the last two years I've made over 100 cable television appearances alone,"he said. "My opponents?A combined one."

Hayworth also tacitly attacked those who have said that Republicans need a woman in the leadership and have given Pryce the edge in part for that reason, as well as others who are supporting Ryun, even though he has played a limited role in GOPleadership and political programs.

"Others would have you cast your ballot on issues totally unrelated to the central question of who is the best-qualified candidate," wrote Hayworth. "But with a still-slim majority, we can't afford to indulge in political correctness or take a chance on experience."

Pryce's last letter stressed her already strong support and provided a glimpse of some of the services she would provide Members.

"I have secured commitments of support from a majority of our colleagues, but the more unified our Conference team the better, and it is important for me to have the support of all the members of the Conference," she said.

Ryun, who has thus far stayed out of the crossfire, took his share of shots this week as well. The Kansas Republican took exception to Hayworth claims in his last letter that the Arizona Republican represents a more marginally GOPdistrict than the other contenders in the race.

"The percentages tell a different story,"Ryun said. "His numbers are 42.4 (percent Republican) and mine are 42.8 (percent Republican)."

He also said that Pryce's 11-page plan mimicked the one he distributed months ago.

"I was the only one to deliver a plan, and I did that early on,"he said.

Ryun, an Olympic medallist, was also encouraged by his level of name recognition when calling freshman Members.

"When I call them they remember what Iused to do," he said. "It's very encouraging."

Vice Chairman

With Cubin bowing out of the vice chairman contest, the race is now a choice between Reps. Jack Kingston (R-Ga.) and one-term Rep. Melissa Hart (Pa.).

Although Hart has not been shy about buttonholing Members about her campaign, the race has been relatively low-key. Cubin failed to mobilize an aggressive whip operation and Kingston has kept his campaign entirely positive. Neither candidate would release his or her level of commitments, but Hart said Cubin directed supporters her way, while Kingston disputes the claim.

For the past few years Kingston has served as the chairman of the GOPTheme Team, a group that assisted the Republican Conference message strategy and the experience appears to give him an inside track to the vice chair job. As of Oct. 16, Kingston gave

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\$115,000 total to the NRCC and \$11,000 to 12 candidates. Hart gave \$6,000 to the NRCC and \$36,000 to 33 candidates.

Hart stressed her youth and ability to win from a district that was 37 percent Republican in 2000. She also pointed out that she had traveled to campaign for 65 candidates this year and noted that as a single woman, she has plenty of time to devote to the job.

"I'm a unique candidate," she said. "I've got youth and energy and I've been very successful conveying a message to a district that is not traditionally Republican."

Kingston remains optimistic about his chances.

"Our efforts have been to keep the majority, not to get people's vote for leadership," he said. "The freshmen I gave money to are free to vote for anyone they want to ... I hope for the best, but Melissa is a great competitor and a tough campaigner. Should she be successful, I'm going to continue to work for the team."

Rep. John Doolittle (R-Calif.), an active member of the Whip team, is the only declared candidate for the secretary position.

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Campaign Money Finds New Conduits As Law Takes Effect

Shadow Organizations to Raise 'Soft Money'

By THOMAS B. EDSALL
Washington Post Staff Writer

With the McCain-Feingold campaign finance law taking effect tomorrow, top Republican lobbyists and Democratic operatives are putting finishing touches today on shadow organizations designed to evade the intent of the law and continue the flow of unregulated "soft money" into presidential and congressional campaigns.

These new committees are being created with full knowledge of, and advance clearance by, the House and Senate leadership, including top Democrats who led the fight for passage of the McCain-Feingold measure prohibiting the national parties and candidates for federal office from raising and spending soft money.

All the party committees, the Democratic and Republican national, Senate and House campaign committees, are engaged in setting up one or more special conduits for soft money, according to reliable sources, with each operating under varying degrees of secrecy.

"May a thousand flowers bloom," declared a Republican legal specialist who

would like to see as many soft money options emerge as possible so that financial backers can put money into media, get-out-the-vote and other election activities of their choosing. In 2000, party committees raised and spent nearly \$500 million in soft money, and they are on track to beat that record this year.

The new law goes into effect tomorrow, and it faces immediate court challenge with briefs to be filed tomorrow in accelerated proceedings that will put the McCain-Feingold bill before the Supreme Court within months.

New committees with ties to the Democratic senatorial and congressional campaign committees will register with the Federal Election Commission today, sources said.

In addition, Harold Ickes, who was an aide to President Bill Clinton, will take responsibility for a special "presidential media" soft money committee, several Democratic sources said. A Republican group called the Leadership Forum, run by two prominent GOP lobbyists, has already registered with the Internal Revenue Service, and officials at the National Republican

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Senatorial Committee say they are helping form soft-money committees that under tax law will not have to disclose who gives money or how the money is spent.

Sen. John McCain (R-Ariz.), the lead sponsor of the campaign finance legislation, vowed to "fight these activities in the courts, in Congress, wherever we have to."

The Democrats are generally setting up committees to channel the controversial large, unregulated donations from corporations, unions and rich people that are required by law to disclose their sources of money and how they spend it on advertising, voter registration or other political activities. Most Republican strategists are creating groups that are not required to disclose the sources of money or how it is spent. "That's a no-brainer. Most donors don't want their names in the paper," said one Republican.

A new GOP committee to channel soft money to House campaigns has been set up by two prominent lobbyists, former representative Bill Paxon (R-N.Y.) and Susan Hirschmann, a former aide to House Majority Whip Tom DeLay (R-Tex.).

Paxon, vice president of the Leadership Forum, has 51 clients including drug companies, Japanese banking interests, the chemical industry and waste disposal companies. Hirschmann, the president of the committee, works in a firm with a list of lobbying clients very similar to Paxon's.

In its registration with the IRS, the Leadership Forum said it would "engage in nonfederal political activities on state and local levels and to engage in dialogue on issues of importance to all Americans."

A number of Republican lawyers who are not directly involved in the Paxon-Hirschmann venture said the two lobbyists are opening themselves up to a host of potential legal difficulties because the McCain-Feingold law sets severe restrictions on the ability of those tied to soft-money groups to communicate with federal officials, the essence of lobbying work.

"I don't know what Bill is up to, but he is

going to have Fred Wertheimer on his back demanding depositions explaining every conversation he has with any congressman. He and Hirschmann have clients who pay them to talk to the leadership. How can they put that at risk?" said one Republican election-law specialist. Wertheimer runs Democracy 21, which is one of the leading advocates of the McCain-Feingold bill and which has gone into court to force tough enforcement.

The Republican chairman in a major state volunteered: "I hope Paxon and Hirschmann help my candidates, but there is no way I'll talk to them. I'm not going to spend my days in court explaining who said what when and where."

Neither Paxon nor Hirschmann returned phone calls. In addition, two other people are listed on the Leadership Forum IRS filing: Julie Wadler, president of Epiphany Productions and former deputy finance director of the National Republican Congressional Committee, and J. Randolph Evans, an Atlanta lawyer who declares on his Web site that his clients include "the former and current Speaker of the United States House of Representatives, Newt Gingrich (R-Ga.) and Dennis Hastert (R-Ill.)." Wadler and Evans did not return phone inquiries seeking comment.

Many of those involved in creation of soft-money groups declined to provide detailed specifics on the record, for fear of legal challenges by Wertheimer, Common Cause and other groups that support campaign finance legislation. "It would be unfair to my clients," pleaded one source.

Parties Create Ways to Avoid Soft Money Ban

State Groups to Collect Unlimited Donations

By DON VAN NATTA Jr.
and RICHARD A. OPPEL Jr.

WASHINGTON, Nov. 1 — The Republican and Democratic Parties have established fund-raising vehicles for unlimited campaign checks to thwart a new federal law banning "soft money" contributions that goes into effect after the election on Tuesday.

According to party officials and fund-raisers, both national political parties have set up state organizations and other groups that will continue to collect and spend the large unlimited campaign checks after they are barred to the national political parties by the McCain-Feingold campaign finance law on Nov. 6.

At a meeting two weeks ago, the chairman of Democratic National Committee, Terry McAuliffe, told a group of 40 of the party's most prolific fund-raisers that he expected a newly created spinoff organization, the Democratic State Party Organization, to raise approximately \$40 million in soft money before the 2004 presidential election, two party fund-raisers said.

Under the McCain-Feingold bill, passed earlier this year, the national political parties cannot directly solicit or spend soft money after Election Day, but state political parties may continue to accept some unlimited donations. Independent political groups and nonprofit organizations closely allied with the political parties can also continue to raise and spend soft money.

A longtime Democratic fund-raiser who attended a secret party conclave at the Mayflower Hotel here described Mr. McAuliffe's message as boiling down to "this campaign finance reform stuff is nothing but junk." The fund-raiser, who insisted on not being named, explained: "Terry said, 'This is the last time we'll be asking you for money — after Nov. 5, we can't do it anymore. But get out there next year and in 2004 and continue to raise all this soft money.'"

Mr. McAuliffe did not return several phone calls seeking comment over the past several days. Maria Cardona, a spokeswoman for the Democratic National Committee, disputed that Mr. McAuliffe set a

dollar goal. "No one ever remembers this goal that you are talking about," Ms. Cardona said. "Terry did not say it."

Marc Racicot, the chairman of the Republican National Committee, said that while "there certainly have been some abstract discussions about what the law will allow," the committee has not set up a group to raise and spend soft money.

Of the Democratic committee's plans, Mr. Racicot added, "It appears somewhat odd that on the one hand you allegedly support campaign-finance reform, and on the other hand you set about to create, in a completely inconsistent way, an organization that undermines the very principles you are espousing."

Joe Carmichael, the president of the Democratic State Party Organization, said he recalled Mr. McAuliffe telling the donors and fund-raisers to assist the newly created party group. "When Joe calls, I want you to take his phone call," Mr. Carmichael recalled Mr. McAuliffe saying.

Some Republicans have moved to keep the soft money checks flowing after the ban takes effect on Wednesday. A Republican group, headed by the former chief of staff to the House Republican whip, Tom DeLay, will be "the House go-to operation," said Scott Reed, a prominent party strategist who ran Bob Dole's 1996 presidential campaign.

Because it is independent from other national Republican Party organizations, the group, the Leadership Forum, can solicit and accept soft money from the same donors who once wrote the largest checks to the formal party committees. "This is the way politics and campaigns will be run under the new law," Mr. Reed said.

As the ban on soft money approaches, officials of both parties have been scrambling to insure that soft money will continue to play a major role in future presidential elections through these new groups, which began to spring up during the summer. The parties raised a record total of \$495 million in soft money before the 2000 election, and it was spent on get-out-the-vote programs and television commercials that appeared to be issue advertisements but were actually used to assist candidates. This election cycle, with the ban looming, soft money fund-raising by the two parties has already totaled more than \$420 million and is likely to eclipse the 2000 record.

Senator John McCain, the Arizona Republican who was a co-author of the bill banning soft money donations, said today that he found the jockeying by the political parties to raise soft money "disgusting."

"We're going to fight them," Mr. McCain said in an interview from his home in Arizona. "We didn't fight for seven years to get this law passed in order to see people emasculate it. We'll fight them, and we'll fight them in the courts, and we'll fight them on the floors of Congress. And we'll do everything we can to make sure we have meaningful campaign finance reform in this country."

Larry Noble, the former general counsel of the Federal Election Commission and now executive director of the Center for Responsive Politics, said that both parties were preparing to violate "the spirit of the McCain-Feingold bill."

"There's going to be a very thin line between these so-called independent groups and the party committees," Mr. Noble said. "It's what everybody feared. Neither party wasted any time looking for ways to get around the soft-money ban. These groups are going to have to be watched closely."

Mr. Carmichael said that his organization intended to spend the

A bill's co-author says he will fight the parties' planned subversion of law.

large checks it receives on get-out-the-vote efforts and party registration programs in states where such spending is legal. He also disputed that Mr. McAuliffe set a specific fund-raising goal for his group.

Republican fund-raisers say that senior party officials have made it clear that the Republican Governors Association will be another primary avenue for raising soft money. To allow it to continue to be able to raise and spend soft money, the governors' group recently severed its ties with the Republican National Committee, said John G. Rowland, the Connecticut governor who is chairman of the group.

Mr. Rowland says he expects the association "to become more of a presence in the Republican Party." The group, which has raised and spent about \$20 million for this election, "will try to raise as much as we

can to be supportive of Republican candidates within the confines of the law." When asked if he had discussed future soft money fund-raising with Republican party leaders, Mr. Rowland responded, "Not really."

Similarly, the Democratic Governors Association, which has raised about \$9 million for this election, also plans an expanded role raising soft money once the new law takes effect.

B. J. Thornberry, the executive director of the association, said, "Governors are the ones who can still legally raise these funds." She said she expected to see "a lot of competition for soft dollars" from the scores of independent groups now being created specifically to raise such money.

Democrats remain far more reliant on soft money than Republicans: Through Oct. 16, about 61 percent of money raised by the national Democratic Party committees was soft money, compared to 43.4 percent of the money raised by the Republican committees.

At the Mayflower Hotel meeting on Oct. 15, party officials handed out a nine-page document on the goals of the Democratic State Party Organization. A copy of the document was obtained by The New York Times.

"This organization is being created in order to comply with the new campaign finance law," the document says. It goes on to say that the organization "would have the same legal status as a state party" and it "would not be legally affiliated with, controlled or financed by the Democratic National Committee."

McCain-Feingold prohibits any group "established, financed, maintained or controlled" by a national party from raising or spending soft money. But in June, the Federal Election Commission approved a loophole so that only actions and activities occurring after the election would be used in determining violations of this provision. Groups set up before Election Day, therefore, may not be subject to sanctions. That ruling, and others by the commission, have been challenged in court by sponsors of the law.

"In my view, the activities being planned are blatantly illegal and represent a conspiracy by the D.N.C. and the new sham group being created to massively evade the new law banning soft money," said Fred Wertheimer, president of Democracy 21 and a leading proponent of the McCain-Feingold law. "We will explore bringing every possible legal challenge we can to stop either political party from breaking the new law."

ROLL CALL

GOP Gets Generous With Soft Money

November 14, 2002

By John Bresnahan

In a frenzied scramble to get rid of their soft money before the Nov. 6 ban went into effect, the House and Senate GOP campaign committees gave away hundreds of thousands of dollars to charity, made swaps with state parties for hard dollars and pumped huge sums into state legislative races.

The National Republican Congressional Committee donated a combined \$126,000-plus to the Ronald Reagan Library, Betty Ford Clinic and a charity supported by first lady Laura Bush. It also gave \$325,000 to Oklahoma State University and another foundation favored by retiring Rep. Wes Watkins (R-Okla.), and dumped more than \$700,000 into an effort to prop up Illinois Republicans in state races, among other last-minute moves.

In addition, NRCC Chairman Tom Davis (Va.) steered large chunks of soft money back home. The Fairfax County Republican Party was the lucky recipient of \$250,000 for its new headquarters, a Prince William County charity got \$50,000, and Jeb Stuart High School in Falls Church received \$25,000 for its scholarship fund.

The Pennsylvania and Illinois Republican parties received \$150,000 and \$200,000, respectively, from the NRCC for new buildings. The North Carolina Republican Party, during a period from July to November, got more than \$540,000 for its headquarters.

All this comes on top of the \$1 million the NRCC gave to the Leadership Forum, a new 527 organization run by a former top aide to incoming House Majority Leader Tom DeLay (R-Texas). The group will raise funds to help defend GOP lawmakers with issue ads during the 2004 elections.

Most of these donations came from the NRCC's building fund. Such accounts are supposed to pay for building upkeep for the NRCC and are limited in how they can be used. The NRCC raised more than \$4 million for the building fund this cycle.

Senate Republicans, for their part, used soft money to pay off the \$2.8 million mortgage on their headquarters, as well as other bills owed by the National Republican Senatorial Committee, leaving the organization debt-free heading into the next cycle. Normally, campaign committees carry several millions of dollars from one cycle to the next.

The NRSC also swapped \$2.8 million in soft money with the Florida Republican Party for hard money just days before the election. That exchange - plus the roughly \$750,000 traded with the Indiana, Kentucky and Missouri Republican parties over the final month of the campaign - gave the committee some hard money to use in key races. More importantly, it also provides the NRSC with the flexibility to cover its expenses as the two parties struggle to adjust to the new fundraising landscape.

The NRSC, like the NRCC, spent hundreds of thousands of dollars on new computers and other technology upgrades as well, according to Republican insiders.

And on top of that, the NRSC donated \$225,000 to a charity created by former Sen. Connie Mack (R-Fla.). Mitch Bainwol, the NRSC's executive director, was a top Mack aide before the Senator retired from Congress in 2000.

Like House Republicans, NRSC officials set up their own nonprofit organization to run issue ads on behalf of Senate GOP candidates and incumbents in 2004. Unlike their House counterparts, however, the NRSC gave no money to the new group.

Neither the NRSC nor NRCC would comment on their soft-money activities. Officials at both committees noted that all their actions were perfectly legal and will be detailed in future disclosure reports filed with the Federal Election Commission.

Democrats were stunned to learn that both the NRSC and NRCC had money left to burn at the end of what was the most expensive midterm elections in history.

"That's not a problem we were faced with," joked a senior House Democratic aide. "We were scraping the bottom of the barrel for every dime we could get."

Senate Democrats, who actually outraised their GOP counterparts, paid off the \$3.2 million dollar tab for their new campaign headquarters building across from the Supreme Court, in addition to covering a \$3 million loan taken out by the Democratic Senatorial Campaign Committee.

But the DSCC is also facing a hard-money debt of roughly \$5.7 million heading into next year, according to Democratic sources. With Democrats having to defend 19 seats in the 2004 cycle, versus only 15 for Republicans, the DSCC is already facing a tremendous financial challenge. The DSCC did not give any money to an outside entity created to raise and spend soft money.

The Democratic Congressional Campaign Committee did not have anywhere near the financial resources of the NRCC, although it did steer large amounts of soft money into key states in the final stretch of the campaign.

For instance, during a five-week period beginning in early September, the DCCC sent more than \$2.6 million to the Texas Democratic Party. Roughly \$1.5 million of that total went to helping elect Democrat Chris Bell, who replaced departing Rep. Ken Bentsen (D). The rest was used to assist endangered Democratic incumbents in Texas like Reps. Chet Edwards and Charlie Stenholm. Most of the funds were soft money raised through the DCCC by Rep. Martin Frost.

The DCCC also used millions in soft money to help oust GOP Reps. Felix Grucci (N.Y.) and Connie Morella (Md.), as well as to help boost their candidates in several competitive House races in Iowa.

But the DCCC did not give any money to charity or fund a 527 or other nonprofit organization, according to Howard Wolfson, the committee's executive director. "We spent all our soft money on issue ads and [get-out-the-vote] activities," he said.

The NRCC, on the other hand, gave \$50,000 to the Reagan Library and another \$25,000 to the Betty Ford clinic. An organization called Reach Out and Read, which Laura Bush has repeatedly praised, got \$51,878.

Another \$15,000 was given on Sept. 30 to the Ex-WorldCom Employee Assistance Fund in Dunwoody, Ga. The DCCC has also donated to that fund.

Illinois Republicans were another favored recipient of the GOP largess. According to one senior Republican strategist, as much as \$3 million was put into Prairie State legislative races by the NRCC, Speaker Dennis Hastert (R-Ill.) and the Republican National Committee over the past several months.

Party leaders, largely at Hastert's urging, were trying to stem a Democratic landslide in that key Midwestern state. Rep. Rod Blagojevich (D) won his gubernatorial contest over a Hastert ally, Attorney General Jim Ryan, and Democratic Sen. Dick Durbin cruised to an easy re-election victory.

With Hastert pulling the strings, and Illinois having no restrictions on soft money, the NRCC handed out between \$700,000 and \$800,000 to dozens of Illinois lawmakers in September and October. The NRCC also gave \$50,000 to Hastert's soft-money leadership PAC, the KOMPAC State Fund. That fund is now closed.

In addition to the NRCC donation, Hastert gave another roughly \$750,000 from the KOMPAC State Fund to Illinois state candidates. Hastert also put another \$100,000 in hard money from his re-election campaign into state races as well, and the RNC kicked in hundreds of thousands of dollars.

The NRCC donation of \$325,000 to the Oklahoma State University Foundation and the Oklahoma Foundation for Career and Technology Education was part of a swap with Watkins, who is retiring.

Watkins was sitting on more than \$600,000 in hard money, which was coveted by NRCC officials. Those hard dollars could be used directly to help out candidates and incumbents, unlike soft money.

Watkins gave the NRCC \$275,000 in hard money, and the NRCC then gave \$325,000 to OSU and the other foundation on September 12.

Paul Kane contributed to this report.

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GOP Group Joins Soft-Money Fray

By Chris Cillizza

ROLL CALL STAFF

A not-for-profit organization with strong Republican ties has re-formed in recent months with several top GOP strategists at the helm in an effort to counter the proliferation of soft-money groups on the Democratic side.

The group — Progress for America — is a 501(c)(4) membership committee that was begun in 2001 by Tony Feather, a longtime Republican consultant with strong ties to President Bush. Feather recently cut his ties to the group, however, and has been replaced atop the organization by Chris LaCivita, political director of the National Republican Senatorial Committee in the 2002 cycle and the top political strategist for NRSC Chairman George Allen (Va.).

Republican lawyer Ben Ginsberg, who specializes in campaign finance and election law, is also closely affiliated with the committee, according to well-placed sources.

Neither LaCivita nor Ginsberg returned calls for comment.

The group's organizational structure is similar to that of the National Rifle Association. As a 501(c)(4) membership committee, it can expressly advocate the election or defeat of candidates to its membership through phone calls, direct mail and other modes of voter contact. The organization is currently undertaking a major effort to increase its membership base nationwide, according to sources familiar with its actions.

PFA can also sponsor some issue-advocacy advertising in political campaigns, though it cannot directly advocate for or against a candidate nor spend more than half of its budget on these type of ads.

In the Mississippi gubernatorial race, PFA expended roughly \$500,000 on two commercials that attacked state Sen. Barbara Blackmon — the Democratic Party's nominee for

lieutenant governor — for her record on taxes and crime.

Republican Lt. Gov. Amy Tuck, a former Democrat, won a crushing 61 percent to 37 percent victory over Blackmon.

Prior to 2003, the group ran issue ads in Florida advocating for Bush's "No Child Left Behind" education act. It also did some grassroots organizing to protest Senate Democrats' filibuster of several Bush judicial nominees.

The group's tax return for 2002, the most recent disclosure available, showed that it reported \$413,295 in revenue.

Disclosure requirements for nonprofits and tax-exempt organizations are far less detailed than for groups registered as political organizations, meaning that nonprofits don't have to specify exactly how they spent their money but can instead report broad categories of expenditures.

According to the group's 2002 return, the largest program spending was \$192,434 for state/regional consultants communicating with the public on trade policy, energy plans, education reform and tax cuts. It also spent \$101,417 for a telephone program communicating information on trade authority policy.

The primary goal of PFA in the 2004 elections is to function as a massive get-out-the-vote tool fueled by soft-money donations, which can be accepted in unlimited sums.

Prior to this cycle, the vast majority of GOTV activity had been handled by the national parties, but passage of the Bipartisan Campaign Reform Act in 2002 banned national party committees from raising and spending soft money.

Into this void have stepped a number of Democratic groups hoping to capture the soft money previously allocated to the Democratic National Committee.

They are led by America Coming Together, which is chaired by EMILY's List President Ellen Malcolm and run by former AFL-CIO Political Director Steve Rosenthal, and America Votes, which is run by Cecile Richards, a former top aide to House Minority Leader Nancy Pelosi (D-Calif.).

Billionaire financier George Soros gave \$10 million to ACT earlier in the year. The group has budgeted \$75 million to voter mobilization efforts in the 2004 campaign. Soros recently gave an additional \$5 million personal donation to MoveOn.org, a progressive, Internet-based activist organization.

PFA plans to counter the influence wielded by Democratic soft-money donors such as Soros by offering deep-pocketed Republicans an avenue of their own to express their political viewpoints.

It joins Americans for a Better Country and the Leadership Forum — both 527s — on the Republican side of the new soft-money wars.

The Leadership Forum was started by former Rep. Bill Paxon (N.Y.) and Susan Hirschmann, a former chief of staff to House Majority Leader Tom DeLay (Texas) and is aimed at raising soft money for House campaigns.

ABC has been linked to George Terwilliger, one of the attorneys for Bush during the 2000 Florida recount, as well as GOP consultants Craig Shirley and Frank Donatelli.

House Administration Chairman Bob Ney (R-Ohio) held a hearing last Thursday aimed at exploring whether these groups were purposely attempting to evade BCRA.

Top Democratic officials at a variety of soft-money organizations refused to testify, saying Ney's request amounted to little more than a partisan witch hunt.

ROLL CALL

Amazon Putting Campaign Cash a Click Away

January 12, 2004

By Brody Mullins,
Roll Call Staff

One month after the Supreme Court upheld a ban on massive political contributions from corporate America, online retailer Amazon.com plans to become the first U.S. business to unveil a way for the general public to funnel cash to presidential candidates.

Amazon will create a link on its Web site this week that will permit customers to donate directly to presidential campaigns when purchasing books written by or about the candidates on the company's virtual bookstore.

Since Amazon's customers — not the company itself — would make the contributions, the plan would not violate the new campaign finance law, according to election lawyers.

Aides from several White House contenders said Amazon worked out the deal with each of the presidential campaigns over the past few weeks with the help of the company's campaign finance lawyer, Jan Baran of Wiley, Rein & Fielding.

Amazon hopes to roll out the plan on Thursday, just days before the Iowa caucuses.

All costs associated with the one-of-its-kind plan — from establishing the link to processing credit card receipts — will be covered by the presidential campaigns.

Because corporations are prevented from contributing to presidential campaigns, Amazon is prohibited from picking up any costs associated with the service.

"If Amazon used corporate money to fund any aspect of this it would be a problem," said Bobby Burchfield, an election lawyer with Covington & Burlington. "But if the respective campaign is paying for it, it would be OK."

Not all of the Democratic campaigns are pleased with Amazon's plan. Because the online retailer is unveiling the plan so close to the start of the primary season, there is little chance that any candidate will get an infusion of desperately needed campaign cash.

Still, the unique plan could open up yet another avenue for political donations in the post-campaign finance reform era.

Amazon's move also could encourage other businesses to begin rolling out their own fundraising strategies for the 2004 elections.

Congressional approval of legislation to stem the tide of large corporate contributions had a chilling effect on corporate contributions because risk-adverse companies were wary of becoming poster children for campaign finance abuse.

But now that the Supreme Court has ruled, Republican and Democratic strategists say that businesses are finally starting to open up their checkbooks.

"Businesses are slowly starting to step forward," said Susan Hirschmann, a Republican lobbyist who heads a fundraising organization called the Leadership Forum that is seeking corporate contributions to support GOP candidates for Congress.

"With the Supreme Court ruling, people understand that [the Bipartisan Campaign Reform Act] is the law of the land and they are starting to figure out how to play while staying in compliance with the law," Hirschmann said.

As a result, many Republican strategists and campaign finance lawyers believe that the new election law will do little to reduce the amount of money in politics.

Instead, they say, corporations and interest groups will find new ways of filtering contributions into campaigns, such as through the Leadership Forum and other so-called 527 fundraising organizations.

"I don't think there will be one less penny spent this time than last time around, it will just be much harder to track," Burchfield said.

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Democratic Senate Majority Fund Slows Activity As Group Awaits Decision in BCRA Court Case

By Chris Cillizza
ROLL CALL STAFF

A political action committee created as a fundraising conduit for Senate Democrats has significantly slowed its operations as it awaits the pending Supreme Court ruling on the Bipartisan Campaign Reform Act.

The Democratic Senate Majority Fund is currently experiencing "a period of lower activity," said Marc Farinella, a campaign consultant to the group. He rejected the idea that the slowdown was an intermediate step to shuttering the group altogether.

"Presuming the court doesn't throw out

McCain-Feingold, this is temporary," said Farinella, referring to the two Senators who sponsored the campaign finance reform legislation.

The Supreme Court heard four hours of arguments last week on the constitutionality of the new law, and most legal experts expect a decision by the end of the year so that any changes can be implemented for the 2004 elections.

Under the law, national party committees are banned from accepting or spending so-called soft money, which can be raised in unlimited chunks from corporations, labor

unions and individuals.

Soon after President Bush signed the bill, several outside groups were formed in hopes of becoming the unofficial recipients of the soft dollars that had been previously allocated to the committees.

On the Democratic side, the DSMF was joined by the New House PAC, which was founded by former Democratic Congressional Campaign Committee Executive Director Howard Wolfson and former DCCC Finance Director Jonathan Mantz.

Each group has a hard-money political action committee as well as a 527 arm, which

collects soft-dollar contributions. Members can help raise money for the PAC but can in no way be involved in the 527.

There are also a number of other Democratic groups seeking to fill the soft-money void, including the labor-oriented Partnership for America's Families, Americans Coming Together and the John Podesta-led American Majority Institute.

Former New York Republican Rep. Bill Paxon and fellow GOP lobbyist Susan Hirschmann created the Leadership Forum, a 527 group; three lawyers with close ties to Republican uber-attorney Ben Ginsberg formed the National Committee for a Responsible Senate, which files as a 501(c)(6) organization, allowing it to collect unlimited contributions without revealing donors.

In the first six months of the year, Democrats were significantly more aggressive in outreach and fundraising than their Republican counterparts.

The DSMF raised \$105,000 in hard dollars in the first six months of 2003 and an additional \$35,000 in soft money.

The soft-money component received a \$15,000 donation from Cyber City Care, a company based in Manassquan, N.J., \$10,000 from Manhattan PSO and \$5,000 each from the International Brotherhood of Electrical Workers and attorney Thomas Green.

"We are still raising money but there is a lower level of activity," Farinella said.

The New House PAC raised no soft dollars, but brought in \$101,000 in hard money.

Wolfson said his group continues to aggressively raise money and reach out to Members and interest groups despite the looming court decision.

"We are moving forward, raising money and meeting with donors," Wolfson said.

The structure of the two entities differ, however, making the DSMF a more cumbersome organization to fund on a day-to-day basis.

Both Farinella and Halle Mayes work for the group full-time and draw salaries, while both Mantz and Wolfson are part-time employees and have not received any compensation from the venture so far.

As a result, the DSMF doled out \$63,000 from Jan. 1 to June 30 with \$39,000 of that going to Farinella and his firm, while the New House PAC spent just \$36,000.

Farinella confirmed that the staff had been reduced by one person, but not because of any financial struggles. Stephen Neumann, who received \$1,700 in salary in the organization's July quarterly report, left for law school this fall.

Farinella added that his firm has taken on several other clients in order to help defray the overhead costs of the DSMF, a move he said had always been planned.

Reports filed with the Internal Revenue Service indicate that the Leadership Forum, which returned a \$1 million soft-money contribution from the National Republican Congressional Committee in late 2002, had not raised or spent any money through June 30.

Sources familiar with the Forum said it has been aggressively raising money over the past several months, a fact that would be reflected in its year-end report.

The NCRS on the other hand remains largely uninformed as it has acquired no staff nor done any fundraising so far this year. Some GOP-ers close to the group are skeptical that it will ever get off the ground given donor concerns about running afoul of BCRA.

Leaders Fill PAC Coffers

By Chris Cillizza
ROLL CALL STAFF

Two Democratic fundraising organizations formed earlier this year to collect hard- and soft-money donations for House and Senate campaigns will hold their first joint fundraiser of the cycle Nov. 5.

The event, which will benefit the Democratic Senate Majority Fund and the New House PAC, will feature at least 60 Members, including a majority of the leadership in both the House and Senate. It will be held at the Phoenix Park Hotel.

Senate Minority Leader Tom Daschle (S.D.), Minority Whip

ally Ken (Nev.) and Democratic Senator Jon Corzine (N.J.) all will attend.

Sens. Patrick Leahy (Vt.), Jeff Bingaman (N.M.), John Breaux (La.), Byron Dorgan (N.D.), Tom Carper (Del.) and Bill Nelson (Fla.) will also serve as chairmen. Sen. Hillary Rodham Clinton (N.Y.), the only Member to donate to both committees in the first six months of the year, is not listed on the invite.

Among House leadership, Minority Leader Nancy Pelosi (Calif.), Minority Whip Steny Hoyer (Md.), Caucus Chairman Bob Menendez (N.J.) and Democratic Congressional Campaign Committee head Robert Matsui (Calif.) will be chairmen, as will South Carolina Reps. James Clyburn and John Spratt.

The other 45 House Members will be event hosts.

Chairmen are required to make a \$5,000 donation, hosts \$2,500 and guests \$1,500.

The two groups have opened a joint fundraising committee for the event — DSMF/NHP 2003 — that will help pay the overhead costs and divvy up the final take.

“We are pleased to have such strong Member support for our hard-money efforts,” said Howard Wolfson, who along with former Democratic Congressional Campaign Committee Finance Director Jonathan Mantz founded the New House PAC. Marc Farinella, a former campaign manager for former Sen. Jean Carnahan (Mo.), is the executive director of the DSMF.

Neither Wolfson nor Farinella would provide an estimate of the total they hoped to raise, but quick calculations based on their current Member support show that they have commitments of \$187,500.

Each group has both a hard-money political action committee and a 527 apparatus aimed at collecting unlimited soft-money contributions that the national party committees are banned from accepting under the Bipartisan Campaign Reform Act. The Supreme Court is mulling an appeal to the law.

The joint fundraiser is the first major foray for either group since this spring. Each held an April event with Members and the DSMF

2704 also held a May gathering, but neither did significant fundraising over the summer and early fall.

“Summer is over and people are starting to think about this stuff a little more,” said Farinella, who admitted that his group remains in something of a slow period as they await a ruling from the court.

The DSMF brought in \$105,000 in the first six months of the year for its hard-dollar arm. Eight Democratic Senators gave \$35,000 to the DSMF between January and June; Sens. Jeff Bingaman (N.M.), Edward Kennedy (Mass.), Tom Carper (Del.), Clinton, Corzine and Dick Durbin (Ill.) pitched in \$5,000 apiece; and Daschle and Sen. Blanche Lincoln (Ark.) each gave \$2,500. Its 527 raised \$35,000 from Jan. 1 to June 30.

The New House PAC focused solely on raising hard dollars, raking in \$101,000. Pelosi gave \$5,000 to the committee from her personal campaign account and her leadership PAC.

The November fundraiser signals that Democrats continue to be more aggressive than Republicans in their efforts to collect soft money that had previously been directed to the parties.

House Majority Leader Tom DeLay’s (R-Texas) former Chief of Staff Susan Hirschmann and former Rep. Bill Paxon (N.Y.) formed the Leadership Forum in late 2002 but through the first six months of 2003 had not raised any money.

Hirschmann has said the forum is now actively fundraising, and their efforts will be reflected in the 527’s year-end report. In late 2002, the forum returned a \$1 million soft-money donation from the National Republican Congressional Committee.

Senate Republican operatives formed the National Committee for a Responsible Senate in 2002, but there has been no activity on its behalf this year. Some familiar with the NCRS believe it will never get off the ground.

Form **8871**

(Rev. July 2003)

Department of the Treasury
Internal Revenue Service**Political Organization
Notice of Section 527 Status**

OMB No. 1545-1693

Part I General Information**1 Name of organization**

America Coming Together - Nonfederal Account

Employer Identification number

20 - 0094706

2 Mailing address (P.O. box or number, street, and room or suite number)

888 16th Street, NW Fourth Floor

City or town, state, and ZIP code

Washington, DC 20006

3 Check applicable box: ☐ Initial notice ☒ Amended notice ☐ Final notice**4a Date established**

07/17/2003

4b Date of material change

12/11/2003

5 E-mail address of organization

bfoucart@act4victory.org

6a Name of custodian of records

Brian Foucart

Custodian's address

888 16th Street, NW Fourth Floor

Washington, DC 20006

7a Name of contact person

Brian Foucart

Contact person's address

888 16th Street, NW Fourth Floor

Washington, DC 20006

8 Business address of organization (if different from mailing address shown above). Number, street, and room or suite number

888 16th Street, NW Fourth Floor

City or town, state, and ZIP code

Washington, DC 20006

9a Election authority

NONE

9b Election authority identification number**Part II Notification of Claim of Exemption From Filing Certain Forms (see instructions)****10a** Is this organization claiming exemption from filing Form 8872, Political Organization Report of Contributions and Expenditures, as a qualified state or local political organization? Yes ☐ No ☒**10b** If 'Yes,' list the state where the organization files reports:**11** Is this organization claiming exemption from filing Form 990 (or 990-EZ), Return of Organization Exempt from Income Tax, as a caucus or associations of state or local officials? Yes ☐ No ☒**Part III Purpose****12** Describe the purpose of the organization

Part IV List of All Related Entities (see instructions)

13 Check if the organization has no related entities.

14a Name of related entity	14b Relationship	14c Address
Victory Campaign 2004	Affiliated	1120 Connecticut Ave., NW Suite 1100 Washington, DC 20036
America Coming Together-Federal Account	Affiliated	888 16th Street, NW Fourth Floor Washington, DC 20006

Part V List of All Officers, Directors, and Highly Compensated Employees (see instructions)

15a Name	15b Title	15c Address
Brian Foucart	Assistant Treasurer	888 16th Street, NW Fourth Floor Washington, DC 20006
Ellen Malcolm	Assistant Treasurer	888 16th Street, NW Fourth Floor Washington, DC 20006
Carl Pope	Treasurer	888 16th Street, NW Fourth Floor Washington, DC 20006

Under penalties of perjury, I declare that the organization named in Part I is to be treated as a tax-exempt organization described in section 527 of the Internal Revenue Code, and that I have examined this notice, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. I further declare that I am the official authorized to sign this report, and I am signing by entering my name below.

Ellen Malcolm

12/11/2003

**Sign
Here**

Name of authorized official

Date

27044171982

Form 8871
(Rev. July 2003)

Department of the Treasury
Internal Revenue Service

Political Organization Notice of Section 527 Status

OMB No. 1545-1693

Part I General Information

1 Name of organization

The Leadership Forum

Employer identification number

81 - 0576274

2 Mailing address (P.O. box or number, street, and room or suite number)

4123 S. 36th Street B2

City or town, state, and ZIP code

Arlington, VA 22206

3 Check applicable box: ☐ Initial notice ☐ Amended notice ☐ Final notice

4a Date established

4b Date of material change

5 E-mail address of organization

no@email.com

6a Name of custodian of records

J. Randolph Evans

Custodian's address

1201 West Peachtree St. Suite 2800
Atlanta, GA 30309

7a Name of contact person

J. Randolph Evans

Contact person's address

1201 West Peachtree St. Suite 2800
Atlanta, GA 30309

8 Business address of organization (if different from mailing address shown above). Number, street, and room or suite number

4123 S. 36th Street B2

City or town, state, and ZIP code

Arlington, VA 22206

9a Election authority

NONE

9b Election authority identification number

Part II Notification of Claim of Exemption From Filing Certain Forms (see instructions)

10a Is this organization claiming exemption from filing Form 8872, Political Organization Report of Contributions and Expenditures, as a qualified state or local political organization? Yes ☐ No ☐

10b If 'Yes,' list the state where the organization files reports:

11 Is this organization claiming exemption from filing Form 990 (or 990-EZ), Return of Organization Exempt from Income Tax, as a caucus or associations of state or local officials? Yes ☐ No ☐

Part III Purpose

12 Describe the purpose of the organization

To engage in nonfederal political activities on state and local levels and to engage in dialogue on issues of importance to all Americans.

Exhibit DD

Part IV List of All Related Entities (see instructions)

13 Check if the organization has no related entities.

14a Name of related entity	14b Relationship	14c Address
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Part V List of All Officers, Directors, and Highly Compensated Employees (see instructions)

15a Name	15b Title	15c Address
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Susan B. Hirschmann	President	1155 21st Street, NW Suite 300 Washington, DC 20036
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L. William Paxton	Vice President	1333 New Hampshire Avenue, NW Washington, DC 20036
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Julie Wadler	Secretary-Treasurer	104 Hume Avenue Alexandria, VA 22301
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Under penalties of perjury, I declare that the organization named in Part I is to be treated as a tax-exempt organization described in section 527 of the Internal Revenue Code, and that I have examined this notice, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. I further declare that I am the official authorized to sign this report, and I am signing by entering my name below.

Susan B. Hirschmann

10/28/2002

**Sign
Here**

Name of authorized official

Date

27044171984